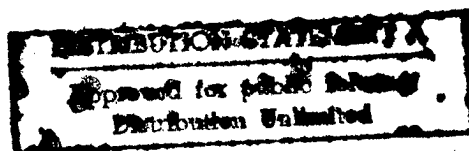




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GENERAL

Human Rights Criticized as Excuse for Political Intervention

40050703

[Editorial Report] The Chinese-language Beijing newspaper RENMIN RIBAO OVERSEAS EDITION of 28 August carried on page 2 an article written under the pseudonym Yi Ding 0001 0002 titled "The Principle of Nonintervention in Internal Affairs in International Relations." The author decries what he sees as the legally untenable and morally wrong use of human rights as a reason by some countries to intervene in the internal affairs of other countries.

The article begins with an editor's note that ever since China "quelled the counterrevolutionary rebellion," a few western countries have "grossly interfered in China's internal affairs," thereby violating the universally-recognized principle of nonintervention in another country's internal affairs. The editor therefore has published this article to inform the reader about the legal aspects of the nonintervention principle and to describe the relationship between this principle and the "international protection of human rights."

After describing how the nonintervention principle evolved, Yi Ding comments that violation of this principle by "imperialist" countries has often been the cause of conflict in international relations. He cites the U.S. military blockade of the Taiwan Strait and the Suez Canal Incident as particularly glaring examples. The author says that the struggle against foreign intervention is also the struggle of newly-created countries, newly-independent countries, and small, weak countries to preserve their autonomy and independence. Thus, Third World countries pay great attention to this principle and use it as the cornerstone of their foreign policy and foreign relations.

Yi notes that there are certain exceptions to the nonintervention principle, i.e., when international peace and security are threatened or when international crimes such as invasion and genocide are committed. He says that practical experience has shown, however, that the exceptions to non-intervention have been debatable. He charges that "imperialist countries" have interfered in the internal affairs of small, weak countries in order to maintain their own sphere of influence and strategic advantage, and that they have twisted the international principles of self-preservation and collective security and even brazenly used excuses such as "security of resources," "protection of overseas nationals," and "protection of human rights" to interfere in another country's internal affairs.

Yi Ding points out that the most common conflict today over the nonintervention principle arises when some large Western countries use human rights as an excuse to interfere in another country's internal affairs and "to attempt to change another country's social system." He

charges that Western countries manufacture all kinds of legal arguments and set up all kinds of international mechanisms and procedures to "deeply involve" themselves in and to "protect" another country's human rights. He points out that one of these methods is an influential argument found internationally: that human rights is a matter that no longer falls under the jurisdiction of an individual country and that the principle of nonintervention in another country's internal affairs is no longer applicable where protection of human rights is concerned. Yi Ding points out that this premise has no legal basis, that the international legal community has difficulty drawing the line between what constitutes human rights and what constitutes intervention, and that the lack of legal clarity over the definition of "human rights" is very dangerous.

Yi argues that from the standpoint of international law, there is no sanction for the use of human rights as a reason to violate the principle of nonintervention.

For one thing, says Yi, the nonintervention principle is one of the basic principles governing international relations and international law and should be used to govern all their aspects except for those exceptions provided for in international law. He notes that there is no single standard for human rights in international law or in international human rights law and what falls outside the nonintervention principle is treated as "international protection of human rights."

A second point Yi argues is that "human rights" are defined by each individual country's legislature, judiciary, and administration, and each individual's rights and freedoms are defined and guaranteed by his country's constitution and its other relevant laws. No country, Yi declares, has the right to interfere in the legislature, judiciary, and other powers of another country.

A third point Yi makes is that although there are a series of international documents on the protection of human rights, these documents do not discuss in any concrete way the definition and content of human rights, human freedoms, and human rights limitations. Thus, in reality, each country has a lot of latitude to formulate its own definitions and does so on the basis of its understanding of human rights and freedoms and its particular national circumstances. Because each country has its own ideology, society, politics, economics, and legal system, each country's definition of human rights and human rights limitations is bound to differ from those of other countries. If one country uses human rights as an excuse to impose its particular value system and legal concepts on another country, this, says Yi, is clearly intervention in another country's internal affairs.

Yi Ding says that many countries do not recognize that protection of human rights nullifies the nonintervention principle; it may be used only in certain situations. He gives as examples the invasion and occupation of one

country by another, the growth and expansion of colonialism and neocolonialism, discrimination against and separation of different ethnic groups, and violation of a people's right to self-determination and development. In situations such as these, says Yi, the international community has the right to adopt sanctions to put an end to such behavior; in other situations, deciding when intervention is appropriate in the sphere of human rights is very "complicated."

Yi emphasizes that strict international observation of the principle of nonintervention in foreign relations is an important means of maintaining international peace and stability and is also one of China's basic demands for the kind of international political order that it advocates. Yi urges everyone to work hard to practice the nonintervention principle in international relations.

SOVIET UNION

Scholar Analyzes Scope of Improving Sino-Soviet Relations

40050569 Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 233, Jun 89 pp 50-52

[Article by Huan Kuo-Ts'ang 1360 0948 5547: "Motivations for and Limitations on Improvement of Sino-Soviet Relations"]

[Text] The high-level talks between the Chinese and the Soviets in mid-May were quite an important event in their bilateral relations as well as in world affairs. From the domestic perspectives of both countries, there are inducements for improving relationships.

Soviet Union: Domestic Conditions Require Relaxation of External Tensions

Although there has been much sound and fury surrounding the reforms in Moscow, and they do have some momentum, nevertheless, their actual progress has not been great. The political reforms have not yet affected the foundation of the political system—the single-party dictatorship. The limited elections and freedom of speech are nothing more than a sort of expansion of individual rights under the single-party dictatorship. The ruling party has not actually allowed the organization of a political party or any other societal group that would participate in across-the-board and open competition with itself. In the economic sphere, the steps taken by Moscow have been even smaller. They have yet to break out of the narrow confines of the "planned economy" or "public ownership." They have not brought the market mechanism into play or developed the private economy (especially urban industry and commerce).

The unique thing about Gorbachev is that he has performed in a very forceful and flexible manner, which has earned him a lot of sympathy from most common people. However, if Soviet society continues to progress further, Gorbachev will face great political difficulty. If

the demands of society for political reform exceed the scope of what can be allowed and accepted by the system itself, how will he deal with the situation? In fact, Moscow is already facing myriad threats in dealing with its relations with some of the republics. The nature of the problem lies in the fact that once the society awakens, it cannot be satisfied with restricted elections and limited freedom of individual expression. It is foreseeable that conflicts within society and the nation will gradually become more acute as the spirit of domestic liberalization—glasnost—spreads and deepens. Under these conditions, Gorbachev needs very badly to both achieve a step-by-step relaxation of external tensions and display his personal charisma on the international stage.

Achievement of the former would not only make it more difficult for the West to take advantage of domestic instability in the Soviet Union, but would enable Moscow to lower its military spending and ease its economic problems. Achievement of the former would strengthen Mr Gorbachev's domestic political position, and this position would be especially useful in a time of social instability. Therein lies the domestic motive behind Mr Gorbachev's active pursuit of improved relations with the West and Beijing.

China: Domestic and International Factors All Play a Part

In China's case, the motivations are much more complex. For many years, relations with the Soviets have been a key foreign relations issue decided directly by Deng himself. It has naturally been one of Deng's so-called historical missions to resolve this difficult problem before retiring. A group of cadres who studied or were stationed in the Soviet Union in the 1950's and for a number of reasons have come to occupy positions of leadership in every department and level of government have also added to the call from within the system for improved relations with the Soviet Union. In the first place, these "creme de la creme" who spent their early years in the USSR retain a good deal of affection for the Soviet Union. In the second place, due to their education, family backgrounds, individual experience and learning, and ideological leanings, they also have a fair amount of admiration for the post-Khrushchev political and economic system. Three domestic factors leading to the original Sino-Soviet break (Mao Zedong's personal influence, ideological conflicts between China and the Soviet Union, and differences in the two countries' political development) either no longer exist, or no longer exert an important influence on relations between the two countries.

In the international sphere, the so-called trend is not at all what some Chinese, U.S., and Soviet scholars have delighted in referring to as the "historical trend" toward detente. The absurdity of this interpretation lies in the fact that it takes the limited foreign policy and security strategy adjustments made by the United States, China, and the Soviet Union in response to their respective political, economic, and strategic necessities in the

domestic and international spheres, and speaks of these adjustments as if they were the direct result of some new way of thinking of these countries' leaders—as if, from now on, all international politics and international relations were going to be completely different from those of the past several thousand years, and such diplomatic gambits as war, military conflict, and the application of military pressure were all going to become history. However, the reality behind U.S.-Soviet detente and improvement of Sino-Soviet relations does not conform to these learned theories. The basic method for adjusting and changing the real relations between nations is still foreign relations backed up by real strength.

Moscow's removal of "the three obstacles" is one example. One reason the troops were withdrawn from Afghanistan was indeed in order to improve relations with China. But if it weren't for the huge expenses incurred by the Soviet troops in Afghanistan, the serious losses, and the fact that they were getting nowhere, would Moscow have suddenly withdrawn its troops merely because of a "new way of thinking?" The fundamental reason for the withdrawal was actually the military losses that did not justify the gains, domestic discontent, and rebellion of the masses and desertion of friends. Though it may have escaped notice, since the troop withdrawal Moscow has been extremely busy airlifting supplies into Afghanistan—perhaps carrying out its "internationalist duty"! Moscow's withdrawal of troops from the Chinese and Mongolian borders is admittedly an important unilateral concession, but this move was not taken before China had lowered the numbers of its own troops deployed on its northern borders with Mongolia and the Soviet Union, and the tension on the Sino-Mongolian border had been greatly reduced. More important, Moscow has taken no steps to remove the huge infrastructure base aimed at China which it has built up over the last several decades (such strategic facilities as military bases, warehouses, military railroads, and highways). In other words, Moscow can still rapidly deploy military force whenever needed, and apply pressure on Beijing (not necessarily begin a war).

In addition, the disequilibrium between Chinese and Soviet military power (that is, Moscow's military superiority) has changed as a result of improved relations between the two countries. Especially important is the fact that, in the area of naval and air power, China lags far behind the Soviet Union. After the withdrawal of 120,000 troops and the elimination of a few dozen old, obsolete ships, the power of the Soviet military in the Far East will remain greater than that of the Chinese military, and we have yet to mention the fact that the military power of Vietnam and India, which are allied with the Soviets and receive aid from them, is increasing daily! The nature of the problem does not lie in whether or not there will be military conflict between China and the Soviet Union in the near future, but in how this disequilibrium in military relationships will affect bilateral political relations and the relations between these two countries and other nations.

Another of "the three obstacles," the problem of Cambodia, is more complex. In all fairness, Moscow has in fact applied a significant amount of pressure on Hanoi, and Hanoi does indeed hope to withdraw its troops from Cambodia. (Its motives, of course, have nothing to do with any "new way of thinking" or "tide of detente.") However, the precondition for Vietnam's withdrawal of troops is the preservation of its political influence. The complexity of the Cambodian situation is due to Pol Pot's Khmer Rouge. This collection of murderous tyrants, who learned from Mao while doing him one better, just happens to be the most powerful and well-organized of three factions. If Vietnam withdraws its troops, even if China cut off its aid to the Khmer Rouge, they would still be able to come out on top in a bloody civil war. Pol Pot, who is a believer in the concept that "power grows from the barrel of a gun," will neither take orders from Beijing nor do any favors for any other international organization or power.

On the surface, the Soviet Union seems already to have made a major concession on the issue of Cambodia, but in the long-range picture, what truly threatens China's security and strategic interests is the Soviet Union's military power in the South China Sea. Its military power in Vietnam's Cam Ranh Bay (including long-range bombers) can support Vietnam in its competition against China in the South China Sea when needed. If the United States is forced to abandon its military bases in the Philippines in a few years, the Soviet Union will pose an even greater threat to most nations, including China, as a result of its military presence in Southeast Asia.

Equilibrium in the Triangular Relationship

Of course, there are other factors that favor improvement of Sino-Soviet relations. For example, trade between the two countries is to a certain extent complementary, and is part of planned trade based on barter. China can provide the Soviet Union with consumer goods that it cannot buy in Western markets, and can acquire some Soviet medium- and low-grade technologies. The Soviet Union can export to China some industrial goods that do not sell in the West.

The United States, China, and the Soviet Union have repeatedly stated recently that the original triangular relationship no longer exists, and that improvement of relations between any two of the countries in the triangular relationship will not harm the interests of the third. Washington has stated again and again that it welcomes the improvement in Sino-Soviet relations. However, it is an objective fact that the triangular relationship exists, which means that because of the balances of power and conflicts of interest between them, any of the countries in this triangular relationship has reason to worry about whether improved relations between the other two will harm its own interests.

To take the example of rapprochement between the United States and the Soviet Union, these two superpowers can (and in fact already have) discuss, coordinate, and even resolve problems regarding intermediate range nuclear missiles and Afghanistan under conditions in which China has no chance to speak for its own interests, although the issues involved directly affect China's interests. Can Beijing's foreign policy makers feel good about this situation?

It is the same with Sino-Soviet rapprochement. From Beijing's viewpoint, a certain degree of rapprochement with the Moscow can not only lighten the political and military pressure from the Soviets and enable China to take a more active stance in its dealings with Hanoi and New Delhi, but can also strengthen its position vis-a-vis Washington and Tokyo. With respect to strategic considerations, there are three objectives that Beijing can achieve: Increase the stability of its international surroundings, avoid becoming once more Moscow's primary strategic target in East Asia, and take advantage of its rapprochement with Moscow to strengthen its international standing.

Will Political Turmoil Affect Foreign Policy?

There are domestic and international restrictions on the improvement of Sino-Soviet relations. From the standpoint of international affairs, China is the weakest in the triangular relationship between the United States, China, and the Soviet Union. More importantly, as a regional rather than global power, China's basic strategic interests are confined to the Asian Pacific region. Outside this region, conflicts of interest between China and the Soviet Union are not serious. One reason for this is that the international communist movement no longer exists and the importance of the Third World in China's foreign policy has clearly shrunk. Within the Asian Pacific region, China and the Soviet still have competing and conflicting interests in a series of regional security issues, but the two countries also have similar or identical interests with regard to many regional security issues (of course, Taiwan is not among them). More important, China's national security is related directly to these security issues limited to the Asian Pacific region. Sino-U.S. relations are exactly the opposite of Sino-Soviet relations in this regard. Outside the Asian Pacific region, China and the United States have deeply divergent views regarding some issues (such as Central America, the Middle East, and South Africa), but these conflicts do not directly affect China's national security. In this sense, the Soviet Union poses a long-term to China's national security while the United States is a possible cooperating partner.

The following international factors can also directly affect the triangular relationship between the United States, China, and the Soviet Union: The political situation in Korea surrounding the succession of Kim Il-Sung; the remilitarization of Japan and its shifting strategic concerns; the evolution of relations between

Taiwan and the mainland; relations between India and Pakistan; and developments in Southeast Asia.

From the standpoint of domestic developments, no large turmoil will disturb the Soviet Union's domestic political situation in the near future, and political developments within the Soviet Union and within the ruling party will not exert a large impact on its China policy. On the other hand, China's domestic political situation is becoming unstable and is in the midst of turmoil. China's domestic political changes have a great impact on changes in its foreign policy (including policy on the Soviet Union). From this standpoint, the recently improved Sino-Soviet relations may face a serious test.

First Congress of People's Deputies Seen as Soviet Reform Milestone

40050701

[Editorial Report] The Chinese language Shanghai journal GUOJI ZHANWANG (WORLD OUTLOOK) No 11 of 8 Jun 89 ran an article on pages 7-9 titled "Another Milestone in Political System Reform: A Summary of the Soviet Union's First Congress of People's Deputies" written by Zhao Huasheng [6392 5478 0524].

Changes in the Soviet Political System Made by the Congress

The author points out that the congress has made the following changes in the Soviet political system: 1) This "extraordinarily significant" congress has advanced Soviet reforms by a great big step and has aroused the attention and enthusiasm of the Soviet masses for reform. 2) The Congress of People's Deputies replaced the Supreme Soviet as the most powerful political body in the land. 3) The ranks of the people's deputies was enlarged by 750 seats. 4) The position of president of the Supreme Soviet has changed from one of mere prestige to one vested with broad and real decisionmaking powers regarding the nation's most important affairs. 5) The atmosphere and procedures of this congress were totally different from that of the Congress of Supreme Soviet Deputies of the past. Discussions were animated, democratic, and open. Delegates voiced their opinions energetically, freely, and forthrightly. This shows that the delegates displayed an unprecedented sense of responsibility and independence. 6) The congress was covered by live television and radio, making it one of unprecedented glasnost. 7) For the first time, delegates dared to nominate themselves or others as candidates for the post of president of the Supreme Soviet. 8) It was decided that from now on delegates should work full time as delegates and hold no other positions.

Author's Commentary on the Congress 1. The First Congress of People's Deputies represents an important, concrete step toward implementing the political system reforms proposed at the 19th CPSU Congress and plays a very important role in the future of Soviet reforms because it was held at a time when reform is in such great difficulty and faces a series of pressing problems. 2. The First

Congress of People's Deputies is the first actual attempt to implement the reform goal of transferring administrative power from the party to the soviets.

3. The First Congress of People's Deputies is bound to directly influence future congresses of people's deputies at all levels and localities and give impetus to the transfer of administrative power from the party to the soviets.

4. The practice of having the first party secretary of a unit hold simultaneously the post of chief of a soviet has quietly begun. This practice, a debatable one in the Soviet Union, is a bold experiment and has its dangers. Nevertheless the trend is now irreversible.

5. The failure of the Supreme Soviet to elect Boris Yeltsin and other reform-oriented candidates and the massive protest demonstration in Moscow in the aftermath of the election indicate that there is a definite gap between the members of the most politically powerful body in the land and the political will of the masses in Moscow. This is demonstrated by the fact that Yeltsin received nearly 80 percent of the vote in the election of people's delegates, yet received the largest number of negative votes in the Supreme Soviet.

6. It is worth noting that, among the intelligentsia and the masses, there are those who are unhappy with some of Gorbachev's methods. Some have openly criticized him for not being democratic enough and some have accused him of trying to exert his influence on the "overly sheeplike majority faction."

7. The emergence of a "minority faction" is one of the most important developments in this congress. "Minority faction" refers to the small group of delegates that were not satisfied with the congress, but whose radical agenda did not win the support of the majority of the delegates. The agenda of the "minority faction" included establishment of an independent parliament that any delegate was allowed to join and that could issue an independent report supplementary to the government's report. Zhao points out that a critical issue is how this "minority faction" will develop and how they will be dealt with. This faction could have an unforeseen impact on Soviet political reform.

Summarizing his thoughts on the congress, Zhao Huasheng says that the First Congress of People's Deputies represents yet another milestone in Soviet reform. While the Soviets themselves are not in agreement as to how far an advancement the congress represents for reform, what is absolutely clear is that it has pushed reform forward.

Report, Commentary on 25 May Election 40050702

[Editorial Report] The Chinese language Beijing journal SHIJIE ZHISHI (WORLD AFFAIRS) No 12 of 26 Jun 89 carried an article on pp 5-6 titled "An Important Step in Soviet Reform and Democratization" by Du Shao [3256 2556].

The author reports on the 25 May election and makes the following observations: 1) What has attracted particular notice about this congress is how the Supreme Soviet promoted democratization and openness and how it advanced political structural reform. 2) The procedures by which this congress was conducted were totally different from those of the past. Whereas in the past the speakers at the congress were officials chosen by higher-ups, the speakers at this congress were the delegates of the people and they eagerly went to the podium to speak; whereas in the past the speeches were long-winded and full of flattery, this time they consisted of straight talk on the issues on the agenda, domestic and foreign policy, issues of concern to the masses, as well as opinions and evaluations given by the top party leaders; whereas in the past the Supreme Soviet almost always automatically passed previously drawn-up resolutions and there had never been anyone voicing a dissenting opinion, this time decisions were arrived at by taking votes and there was virtually no automatic passing of resolutions. 3) This congress displayed an unprecedented degree of glasnost. Media personnel were allowed to freely interview the delegates and Soviet national television was allowed to broadcast the congress live.

Du Shao described Boris Yeltsin's roller coaster fortunes in the recent elections, noting how he first missed, and then finally obtained, the post of people's deputy. Du notes that, whereas Yeltsin was finally able to become a people's deputy, other radical candidates all failed to be elected to the position of deputy to the Supreme Soviet. Du looks into whether this is due to the will of the masses or reflects an imperfection in the electoral system. After reviewing the arguments by the Soviets, he concludes that the reason is, as Gorbachev said, that the Soviets are still in the process of learning democratization and are still forming legalized democratic procedures.

Du comments that in this congress the Soviets have taken their first steps to democratically supervise their leaders. This is evidenced by 1) Gorbachev's candid acknowledgement that "big mistakes" and "serious mistakes" had been made in the past. 2) His promise that a committee of the Supreme Soviet would conduct an investigation into the Tbilisi Incident in which the army's intervention resulted in injury and death. He affirmed that the army should mind its own business and that matters affecting the future of the state should be decided by the Congress of People's Deputies. 3) He sought to define and limit the perquisites enjoyed by officials.

Du points out that some analysts see Gorbachev as having avoided two tendencies, namely that of leaning too far to the conservative or ultraleftist side and that of excluding the radicals. In other words, Gorbachev made sure that the party followed the mainstream of the people's inclinations. Du points out that Gorbachev was very tolerant of the radical views of some of the delegates and even incorporated many of their suggestions in his government work report. He also urged continued dialogue with all groups and levels of society, saying, "We

must persist in dialogue even if the words are harsh and even if the other side forgets the main values and our accomplishments."

Du points out that public opinion finds Gorbachev's policies a success thus far.

The author's final comment is that this congress demonstrates that, with the tide of democratization in the world, Soviet political structural reform and democratization continues to make repeated advances in the face of many difficulties and obstacles.

Goals, Membership of China Development Institute

40050415 Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 198, 16 Mar 89 pp 26-33

[Article: "China Development Institute—A High-Level Brain Trust With Powerful Backing"]

[Text]

An Organization With Powerful Backing

On 14 February 1989, a new type of super brain trust organization was established in Shenzhen. Its formal title is the "General Development Research Institute (Shenzhen, China)," and it is one of China's current large general research organizations. This organization's members engage in work in an individual capacity, rather than using the posts and ranks of their own units in participating in planning, but, essentially, they come from various areas of China's upper stratum. All are responsible officials in various highly important departments and large units in today's China, and they have abundant lateral ties, power, and sources of information.

Powerfully Supported by Zhao Ziyang and Li Peng

The establishment of this research institute received powerful support from Zhao Ziyang and Li Peng. It is reported that, in 1988, Ma Hong [7456 3163], director general of the State Council's Economic, Technological, and Social Development Research Center, and Shenzhen Mayor Li Hao [2621 3493] made oral reports and formal written reports to State Council Premier Li Peng and received his approval and support. Li Peng also pointed out that if we are to set up a research organization that is truly run by the people in order to serve China's reform, opening, and four modernizations, it must first serve the Shenzhen SEZ [Special Economic Zone] and the coastal provinces and municipalities, and the scope of research can be expanded from domestic to international, and so forth. Later, Ma Hong and Li Hao established a preparatory group and, with the support of the Shenzhen Municipal Party Committee, municipal government, and various concerned departments and entrepreneurs, began concrete preparatory work.

Chinese-Style CDI

After a period of preliminary informal discussion, this research institute was finally established after the spring of 1989. The research institute was named the General Development Research Institute (Shenzhen, China); its English name is China Development Institute, or CDI for short.

A few days ago, the reporters visited a knowledgeable person at this research institute, and this specialist told the reporters that the China Development Institute was a new type of policy research and consulting organization of today's China, and that it had the following main characteristics:

Funds Come From Enterprise Support and Business Earnings, and Support From Hong Kong, Macao, and Abroad May Be Won in the Future

The first characteristic is its private nature. The research institute is not subordinate to any government organ; it is a research organization run by the local people.

Second, independence. The research institute's highest leading and decisionmaking body is a council comprising people from various fields which, with the attitude of respect for science and seeking truth from facts, independently and autonomously develops policy research and, on its own initiative, provides consulting services for the policymaking of various levels of government and enterprises.

Third, openness. The research institute will actively create conditions for welcoming domestic and foreign scholars, scholars from Hong Kong, Macao, and Taiwan, and Chinese overseas exchange students to undertake various forms of participation in the research activities of this institute; the periods may be either long or short, and scholars may come and go freely.

Fourth, public welfare. The research institute does not have profit-seeking as its objective; it relies primarily on financial aid and business earnings from domestic and foreign enterprises, groups, and individuals as its source of funds, and its aim is to lend force to vigorous development of the PRC, unification of China, Sino-foreign cooperation, and world peace, as well as human progress and happiness, through policy research and consulting activities.

Fifth, comprehensiveness. The research institute will actively promote and develop multidisciplinary comprehensive research, integration of foreign research with domestic research, integration of macroscopic research with microscopic research, integration of qualitative research with quantitative research, and integration of research with consulting, training, publishing, and the like.

A New Attempt at Reform of China's Existing System

In addition, with regard to organization, this high-level research organization has another special feature, namely, unity. With respect to organizational structure, this institute has adopted a new form, namely, the council system. (For a list of concerned council members, see below.)

These council members all participate in an individual capacity, but since most of the council members also represent specific units, it goes without saying that this enables the research institute to play a role in lateral integration.

The aforementioned specialist stated that the new structure put into effect by the research institute was formed using as reference the model of the foreign "think tank"

type of research institute, based on review of the experience and lessons drawn from China's existing research system.

Why the Headquarters Is Being Established in Shenzhen

A reporter asked why, if the institute is so important, its headquarters is being established in Shenzhen rather than in Beijing, the capital.

The aforementioned informant disclosed that this research institute is a national research organization, and that the reasons for establishing its headquarters in Shenzhen were as follows: First, since Shenzhen is both China's window for overseas development and also a region where China is carrying out pioneer reform, Zhao Ziyang has recently put forward a series of directives regarding Shenzhen's future development "model"; establishing the research institute in Shenzhen is more convenient for in-depth research on various economic, political, social, cultural, and other issues emerging in the course of development of China's socialist commodity economy; and the institute will be able to provide opinions in a timely manner and have significant reference value for China's future reform and opening. Second, Shenzhen borders on Hong Kong, has easy access to the international community, and information is relatively easily accessible and abundant, which is advantageous to developing exchanges of scholarship and information between China and foreign nations, as well as between the two shores of the Straits of Taiwan. Third, Shenzhen's system is more flexible than that of the interior; its people more readily accept new systems and new things, and it has stronger adaptability, and this kind of environment is advantageous to the activities and development of the research institute.

An Office Will Be Set Up in Beijing

However, Shenzhen's current conditions are still inadequate for setting up a research institute; for example, with respect to such things as documents and research personnel, it falls considerably short of such regions as Beijing. Therefore, in order to set up a research institute, this large research organization on the one hand is preparing to pay close attention to construction in Shenzhen and to create conditions, while at the same time establishing an office in Beijing which is convenient for contact, and where council chairman Ma Hong would also often work. On the other hand, it will also pay attention to bringing into play the roles of research organizations and research personnel throughout China, strengthening cooperation, and providing mutual coordination. Our informant added that creating a new research organization could not be done in one fell swoop, but that neither could we wait until all the conditions existed before launching research. In the preparatory stage, some of the personnel of the research institute have already begun research on such problems as Shenzhen's development strategy, enterprise groups and the share system, and drawing lessons from foreign

laws and regulations, and in the future, too, they will successively research relatively important problems.

The Framework Is Very Large and There Are Many Eminent Persons, But What Is Most Important Is Doing Solid Work and Producing Real Knowledge, Deep Insights, and Results

The framework of this large organization is very large and it has many eminent persons, but what is important is wanting to work, wanting to get right on the job, and later, what concerned persons will undertake projects, specifically who will carry out relevant tasks, and how to achieve results; this is what people are most concerned about.

The council is the research institute's highest leading body. Through elections, it provides a council chairman, vice chairman, and standing council members, forming a standing council which serves as the executive body. The positions of secretary general and deputy secretary general have been set up under the research institute to direct routine work. The current secretary general is Ji Zhong [4764 0022] (Ji Zhong is also chairman of the Liaoning Provincial Science and Technology Commission), and under the leadership of the secretary general, several departments have been established as work organizations. In the future, when the need and conditions exist, a certain number of branches and subsidiary bodies may be established.

A member of this research institute has disclosed that the council members participate respectively in two organizations: the first is the academic committee, and the second is the funding committee. The council's entrepreneurs and social activists all serve as members of the funding committee. This is a special characteristic of this research institute. The functions of these two committees are mutually integrated. The mission of the funding committee is not merely to collect funds; more important is that it must propose research projects or tasks to the research institute based on actual need. It is the research institute's main service object, while the academic committee is the service institute's main service force.

How the Research Force Carries Out Research Work

When discussing how the research force of the research institute carries out work, a member of the research institute stated that, primarily, it adopts such forms as engagement by special arrangement and part-time work to make extensive use of social strength. For the institute's full-time research personnel, too, the method used primarily is that of having units to which council members are assigned send research personnel to the institute to serve as visiting research personnel and inviting foreign scholars and specialists to the institute for short-term work, in order to form a fairly high-level contingent.

With respect to research projects and tasks, two methods are adopted for carrying out research. For some tasks,

the commissioning method is adopted for carrying out research outside the institute; this calls primarily for the council members taking the lead while the institute provides tasks, concludes contracts, assesses research results after completion, and provides personnel engaged in research with different levels of remuneration and bonuses. Other tasks rely on visiting research personnel to carry them out within the institute; after the results are assessed, they are provided with their respective bonuses.

When reporters asked about the issue of funds for the future work of this research institute, the aforementioned institute member stated that this institute was an undertaking that was run by the local people and officially supported, and that the main sources of funds were as follows:

1. Subsidies by concerned departments and enterprises. For example, when the research institute was set up, the Shenzhen municipal government provided 2 million yuan as starting funds.
2. Utilizing funds collected by the funding committee and carrying out legal operations in order to obtain a certain amount of earnings.
3. Relying on earnings from future consulting services and earnings from other undertakings.
4. Striving to obtain financial assistance from other foreign and domestic funding organizations.

But can this meager financial base support the organization's huge research program? When the reporters raised this question again, the institute official stated optimistically that the institute would actively seek the support of various large enterprises, as well as individuals abroad and in Hong Kong and Macao.

A Series of Huge Research Programs

When discussing the China Development Institute's tentative plan for key projects in the near future, the aforementioned institute official disclosed a series of integrated programs.

I. The Issue of Strategic Research on Shenzhen SEZ Development

Through 9 years of construction, Shenzhen has tentatively become a multifunctional, modernized city based on an export-oriented economy, and Zhao Ziyang has recently set forth new requirements for Shenzhen. Researching Shenzhen's experience of growth and development, spurring Shenzhen to take the lead in establishing a new order of socialist commodity economy which both has Chinese characteristics and is in keeping with international practice, and further probing new development directions and models will play an important exemplary role for China's other SEZ's, open coastal cities and regions, and the nation as a whole. In particular, the time for transferring Hong Kong's sovereign rights to China—1997—is drawing near, and Shenzhen,

as the forward position of "one nation with two systems," must make necessary preparations in various areas for the economic and social "welding" between Shenzhen and Hong Kong. Therefore, a member of the institute believes that Shenzhen should start from the pattern of the Asian-Pacific region's economic development and the changes that will accompany Hong Kong's return to China after 1997 and implement research inquiries and specific plans with regard to Shenzhen's development strategy, including Shenzhen City's future position and function, relations with Hong Kong and the interior, Shenzhen's economic system, political framework, social structure, legal system, development model, and movement mechanism in order to make suggestions that can be selected by Shenzhen City's and China's high-level policymakers.

He disclosed that the methods and steps of research work in these areas will be as follows:

1. When the research institute establishes a general meeting, it will hold a "Conference on Shenzhen SEZ's Economic Development Strategy."
2. Establish one or more working groups, engage in penetrating research on Shenzhen's development strategy, put forth one or more proposals, reconvene the discussion during 1989, and submit to the Shenzhen party committee and municipal government a plan for further reform, opening, and development, as well as several important measures and policy proposals.

II. Research on the Issues of the Share System and Internationalization of Enterprise Groups and Large Enterprises

How China's state-owned large and medium-sized enterprises will implement the share system, and particularly how enterprise groups will implement the share system on the basis of breaking through the "three no changes," is a question that now urgently awaits research and experimentation. At the same time, implementation of the share system must be coordinated with the establishment of a property rights system, stock market, regulations for marketing and control of stock, a government supervision system and the like. For this purpose, the research institute will carry out a systematic study of share system enterprise models and interrelated problems, as well as further study the experience of foreign transnational corporations and discuss the issue of internationalization of China's large enterprise groups.

The methods and steps of work in this area are as follows:

1. First, have working groups investigate the experience and problems of Shenzhen enterprises which have already implemented the share system and enterprises which have put some of their shares on the market, as well as Shenzhen City's tentative plan for establishing a "capital market."

2. Coordinate with Shenzhen City in implementing tests of the enterprise group share system. Based on the principle of voluntary participation by enterprises, have working groups directly participate in one or two tests of the enterprise group share system and obtain firsthand data.

3. Coordinate with Shenzhen City in conducting research on issues regarding such things as share marketing and management; cooperate with concerned units, draw up a number of rules and regulations, and provide them to concerned departments as reference.

4. Based on the experience and problems encountered in Shenzhen City's tests, submit research reports and policy recommendations to the Shenzhen party committee and municipal government, as well as report in a timely manner to high-level central authorities, the State Council, and the State Commission for Restructuring the Economy.

5. Together with the share system issue, conduct research on the enterprise management issue.

6. In the second quarter of 1989, hold an enterprise group share system conference in Shenzhen or Beijing, and invite responsible persons from pilot enterprises, specialists and scholars, and officials of concerned units of China's State Council to participate.

III. Research on Controlling the Economic Development and Regulating the Economic Order

IV. Research on the Nature, Status, and Functions of China's Special Economic Zones

An official of the research institute stated that at present, China has five special economic zones, namely, the four cities of Shenzhen, Zhuhai, Shantou, and Xiamen, and Hainan Province; five open economic regions, namely, the Changjiang Delta, the Pearl River Delta, the Minnan Delta, Shandong Peninsula, and Liaodong Peninsula; and 13 economic and technical development regions established by 14 coastal open cities. These special zones, open cities, open regions, and development regions, through several years of construction and development, have made several accomplishments, but there are also many problems. The institute must conduct a systematic study of experiences and problems already encountered; from the standpoint of strategy, further clarify the nature, status, and functions of special zones, open regions, open cities, and development regions; and submit research reports and policy recommendations to high-level central authorities, the State Council, concerned government bureaus, and local leading bodies.

Research methods and steps relevant to this area are:

1. Based on study of Shenzhen SEZ, expanding the scope of research. Working groups should be divided into several small groups and separately investigate each special zone, and afterward implement comprehensive analysis.

2. Choosing a suitable time and place and convening a small-scale conference, discussing research results, and writing research reports and policy recommendations for higher authorities.

V. Study of the Problem of Development of Economic Cooperation Between the Coastal Region and the Interior

A member of the research institute stated that practice has shown that China's coastal provinces and cities are unable to carry out the policies of "both ends abroad" and "large volumes of imports and exports" in isolation, and that this is bound to involve the relationship between coastal and interior economic development and economic interests. In recent years, such occurrences as the various raw material "wars" which have emerged in China, the outflow and blockade of foodstuffs which have emerged since 1988, and even the reckless influx into Guangdong of large numbers of peasants from other provinces have all reflected the fact that relations between the coastal region and the interior have not been straightened out. Therefore, based on investigation and research, we must put forward a strategic plan for developing economic cooperation between the coastal region and the interior and provide it as reference to the central authorities, the State Council, and various local governments.

The research methods and steps related to this aspect are as follows:

1. Establish a working group to develop cooperation between the coastal region and the interior; first, cooperate with concerned departments of Guangdong Province in studying the relationship of economic cooperation between Shenzhen, Guangdong, and neighboring regions, such as Hunan, Jiangxi, and Guangxi, and put forward research reports and policy recommendations, and afterward, gradually expand the scope of research.

2. In the second half of 1989, convene a small-scale conference, discuss and evaluate research reports and policy recommendation concerning economic relations between Guangdong and neighboring provinces, and report the results to the central authorities, the State Council, and concerned provinces and cities.

VI. Research on the Prospects for Cooperation in Economic Development Between Mainland China, Taiwan, Hong Kong, and Macao

A member of the institute told the reporters that there were currently many discussions in Taiwan and abroad concerning the establishment of a "great China economic sphere" and a "Chinese economic community." Deng Xiaoping has already made known his position on this: It is inadvisable for China to give publicity to this, and as for what others say about it, it is their own business. However, vigorous development of Mainland China's economic cooperation with Taiwan and the Hong Kong-Macao region, under the principle of "one nation and two systems," is mutually beneficial and

imperative. Under the sponsorship of concerned departments, a "Mainland China, Taiwan, and Hong Kong industrial, commercial, and economic cooperation conference" may be convened in Beijing in December 1989. Therefore, the China Development Institute also wants to organize forces, divide labor and cooperate with concerned departments throughout China, conduct a fairly thorough study of this issue, put forward a research report and policy recommendations, and participate in the conference planned for December 1989.

Methods and steps related to work in this area are:

1. Organize a fairly high-level research force concerned with the international economy, the Taiwanese economy, the Hong Kong and Macao economies, and the mainland economy, and form a comprehensive working group to deal with research on this problem, as well as write a research report and participate in the conference to be convened at the end of the year.

2. Concurrently with comprehensive research, conduct specialized research on the current conditions, development trends, economic relations with the mainland, and future prospects of Taiwan's and Hong Kong's economies. Depending on feasibility, create conditions for holding a small-scale seminar and write a research report.

VII. Research on the Prospects for Northeast Asian Economic Cooperation

A member of the research institute stated that the international economy was currently developing in the direction of regional cooperation, and China, with respect to economic development and opening to the outside world, should also have an overall global strategy toward this. This major problem will be a focal point among the institute's long-term research problems. Recent consideration has started from the Northeast Asian economic cooperation which has already been brought up, and has gradually developed toward overall research.

Work steps for this year are as follows:

1. Organizing the northeastern provinces and the provinces and cities along the East China Sea, as well as scientific research units engaged in research on the economies of the Soviet Union, Japan, and South Korea, and establishing a joint working group to take charge of the aforementioned specialized research.

2. The working group will establish a number of subgroups and separately implement specialized study of the present conditions, development trends, and economic relations with China of the Soviet Far Eastern region, North and South Korea, and Japan, and perhaps hold a number of small seminars and exchange data, information, and research results.

3. Hold a seminar on Northeast Asian economic cooperation and China's countermeasures, write a research

report, and submit it for reference to the central authorities, State Council, and related departments and local governments.

VIII. Economic Law Research

In order to accelerate China's legal construction and push forward the establishment of China's new order of socialist commodity economy, it is necessary to make a comparative study of economic laws and regulations under capitalist market economic conditions, as well as to inquire into the feasibility of using them as reference and trying them out, and formulate feasible laws and regulations (in draft form) and provide them to concerned departments for reference. The focus of research will be the Hong Kong and Taiwan regions, but the laws and regulations of developed nations can be studied at the same time.

Study methods and steps related to this aspect are as follows:

1. Inviting concerned jurists to jointly agree upon study topics and cooperating in division of labor with Shenzhen's concerned departments and researchers.

2. When studying the laws and regulations of Hong Kong, Taiwan, and developed nations, paying attention to their historical background and economic, political, and social environment, taking the cream and discarding the dross, and preventing reckless "transplantation."

3. Implementing a practical investigation of certain laws and regulations legislatively formulated by such regions as Hong Kong referred to by Shenzhen, and summarizing the lessons learned from experience in the course of their implementation, for reference when formulating laws in the future.

IX. Study of Scientific and Technical Development Strategy

A member of the institute stated that in implementing opening up to the outside world and introducing foreign capital and advanced science and technology, there must be a scientific and technical development strategy to provide guidance. Therefore, the coastal region, the interior, and certain large enterprise groups should all formulate their own scientific and technical development strategies in combination with their economic development strategies. This institute, as a comprehensive development research organization, should organize specialists and scholars in the fields of science and technology and economics to engage in research in these fields and explore experience in these fields.

Work methods and steps in this area are as follows:

1. In 1989, first conduct a study and demonstration of Shenzhen's industrial structure, especially the problem of developing high-tech industry and Shenzhen City's scientific and technical development strategy, and put forward recommendations to the Shenzhen municipal party committee and municipal government. At the

same time, accept requests from other provinces and cities for research on scientific and technical development strategy and industrial structure, and launch research work.

2. Accept requests from certain enterprises to organize formulations and demonstrations of enterprise scientific and technical development strategy.

X. Review and Summation of 10 Years of Reform of China's Economic System

The members of the institute believe that although China's reform has achieved a major breakthrough in the past 10 years, it is also currently facing many serious problems and is at an important turning point with regard to how to deepen reform overall, and it is necessary to carry out overall systematic summarization of the reform of the past 10 years and further clarify the direction and specific channels of reform. However, this is a major topic of study and requires organizing forces in various areas and launching discussions in a planned way.

A member of the institute said that since the content of this topic is very broad, it is very difficult to rely on a working group to conduct research, and therefore the institute plans to establish a preparatory group for a conference, unite forces in various areas, hold several small discussions during 1989, hold a large-scale, planned conference in the last quarter of 1989, and invite several foreign specialists and scholars to attend.

XI. Study of Economic Structure and Economic Returns

Improving the economic structure and increasing economic returns is a basic approach to China's economic development. In China's present period of economic adjustment, there is a particular need to study problems of structure and returns.

The work methods and steps involved in this are as follows:

1. Organize concerned forces to establish working groups, and conduct a comparative study of domestic and foreign economic structure and economic returns.
2. In the third or fourth quarter of 1989, hold a conference and send a report of the results of the discussion to the central authorities and State Council for their reference.

XII. Strengthening Study of Basic Theory

The institute's members believe that it is unfeasible to implement reform and opening without study of basic theory, relying entirely on proceeding without a plan. Each of the world's socialist nations are currently confronting the question of where reform is going, and in order to resolve various complicated problems, they must forcefully respond to and resolve problems of socialism with respect to theory. One of the basic tasks of this institute is to unite with forces in domestic and

foreign theoretical circles and conduct theoretical research in the following three areas:

1. Study of contemporary capitalism;
2. Study of modern socialism;
3. Study of Western economic theory.

How is research to be conducted? One member of the institute said that study of the above three topics requires a fairly long time, and the problems cannot be resolved by relying on short-term working groups. They now plan to establish three research groups and invite strong scholars to bear responsibility. Members will include old, middle-aged, and young scholars. They will put forward a research program and implement it in stages.

At each stage, they can hold several small-scale discussions and put forward stage-by-stage research reports or reports on special topics.

A member of the institute added that, in addition to the above key research items, the research institute would also accept requests from the government and enterprises to organize research and consultative services for various types of special topics. He stated that this institute has just begun, and that they wholeheartedly welcome the coming of specialists and scholars for exchange, cooperation, and joint efforts to develop China.

Appendix

China Development Institute (Shenzhen, China) Council Adviser List

(By stroke order of surname)

Yu Guangyuan [0060 0342 6678]	Member and researcher, CPC Central Advisory Commission
Wang Qun [3769 5028]	Secretary, CPC Inner Mongolia Autonomous Region Committee
Liu Guoguang [0491 0948 0342]	Vice president, China Academy of Social Sciences
Yan Dongsheng [0917 2639 3932]	Specially invited adviser, China Development Institute
Zhu Rongji [2612 3579 1015]	Mayor, Shanghai municipal government
Sun Weiben [1327 4850 2609]	Secretary, Heilongjiang Provincial CPC Committee
Xu Jiatun [6079 1367 1470]	Chief, Hong Kong branch, XINHUA NEWS AGENCY
Li Chang [2621 2490]	Member, CPC Central Advisory Committee
Li Changchun [2621 7022 2504]	Governor, Liaoning provincial government

**China Development Institute (Shenzhen, China)
Council Adviser List**

(By stroke order of surname)

Li Hao [2621 3493]	Mayor, Shenzhen municipal government
Chen Daisun [7115 1486 5549]	Professor, Beijing University
Wu Heng [2976 5899]	Member, advisory committee, State Scientific and Technological Commission
Zhang Youyu [1728 0645 3342]	President, China Law Society
Zhou Peiyuan [0719 1014 3293]	Vice chairman, CPPCC National Committee
Huang Xiang [1360 6763]	Director, State Council, International Studies Center
Tong Dalin [4547 1129 2651]	Vice chairman, State Society for Research on Restructuring the Economic System
Xie Fei [6200 7236]	Deputy secretary, Guangdong Provincial CPC Committee
Xue Muqiao [5641 2550 2890]	Honorary director general, State Council, Economic, Technological, and Social Development Research Center

**China Development Institute (Shenzhen, China) Council
Members List**

(1) Specialists and Scholars

(By stroke order of surname)

Ma Hong [7456 3163]	Director general, State Council, Economic, Technological, and Social Development Research Center
Ma Kai [7456 0418]	Deputy director, State Administration of Commodity Prices
Ma Biao [7456 7516]	Deputy department chief and assistant editor, State Planning Commission, Economic Research Center journal GAIGE [REFORM]
Cai Xiaoyu [2088 2556 0056]	Researcher, Ministry of Commerce, Institute of Commerce and Economy
Wang Zhuo [3769 3820]	Researcher, Guangdong Provincial CPC Committee, Strategic Research Office

**China Development Institute (Shenzhen, China) Council
Members List**

(1) Specialists and Scholars

(By stroke order of surname)

Wang Jikuan [3769 4764 1401]	Deputy director general, State Council, Economic, Technological, and Social Development Research Center
Wang Jiye [3769 4480 2814]	Director, State Planned Economy Institute
Wang Jiafu [3769 1367 4395]	Director, Chinese Institute of Social Sciences, Law Institute
Wang Mengkui [3769 1125 1145]	Deputy director, Economic Research Center, State Planning Commission
Wang Huijiong [3769 1979 3518]	Executive director, State Council, Economic, Technological, and Social Development Research Center
Deng Nan [6772 2809]	Chief, State Science and Technology Commission, Social Development Science and Technology Office
Tian Yuan [3944 3293]	Executive director, State Council, Economic, Technological, and Social Development Research Center
Gu Nianliang [0657 1819 5328]	Researcher, Hong Kong-Macao Economic Research Center
He Cun [4421 2625]	Editor in chief, Journal of Economic Study Reference Publishing House
Yuan Chongwu [7086 1504 2976]	Executive deputy director, State Science and Technology Commission
Zhu Jiaming [2612 0857 2494]	Researcher, International Office, China International Trust and Investment Corporation
Ji Zhong [4764 0022]	Director, Liaoning Provincial Science and Technology Commission
Sun Shangqing [1327 1424 3237]	Deputy director general, State Council, Economic, Technological, and Social Development Research Center
Sun Xiaoliang [1327 2400 5328]	Member and office chief, State Commission for Restructuring Economy

**China Development Institute (Shenzhen, China) Council
Members List****(1) Specialists and Scholars**

(By stroke order of surname)

Lu Xueyi [7120 1331 5669]	Director, Chinese Academy of Social Sciences, Sociology Institute
Li Cong [2621 3827]	Director, Chinese Institute of Social Sciences, World Economics and Politics Institute
Li Qingwei [2621 1987 0251]	Deputy director general, State Council, Economic, Technological, and Social Development Research Center
Li Boxi [2621 0130 3305]	Executive director, State Council, Economic, Technological, and Social Development Research Center
Li Jingwen [2621 0079 2429]	Director, Chinese Academy of Social Sciences, Institute of Econometrics and Technology-Related Economics
Chen Jiyuan [7115 0679 0337]	Director, Chinese Institute of Social Sciences, Rural Development Institute
Chen Bolin [7115 0130 2651]	Copy editor, DANGDAI ZHONGGUO [CONTEMPORARY CHINA] Editorial Department
Chen Qiwei [7115 4860 0251]	Director, Asia Research Institute
Wu Mingyu [0702 2494 3842]	Deputy director general, State Council, Economic, Technological, and Social Development Research Center
Wu Jinglian [0702 2417 8834]	Executive director, State Council, Economic, Technological, and Social Development Research Center
Chen Hongsheng [3088 7703 3932]	Deputy director, China Industrial Economics Management Research Center
Yan Jiaqi [0917 1367 0366]	Researcher, Chinese Academy of Social Sciences, Political Science Institute
Zuo Mu [0146 3668]	Researcher, XINHUA NEWS AGENCY, Hong Kong Branch

**China Development Institute (Shenzhen, China) Council
Members List****(1) Specialists and Scholars**

(By stroke order of surname)

Ji Chongwei [1323 1504 1218]	Executive director, State Council, Economic, Technological, and Social Development Research Center
Shao Hanqing [6730 3352 7230]	Deputy director, Shenzhen municipal people's government planning office
Zhou Xiaochuan [0719 1420 1557]	Assistant minister, Ministry of Foreign Economic Relations and Trade
Zhou Shulian [0719 0647 5571]	Director, Chinese Academy of Social Sciences, Industrial Economics Institute
Zhou Yizhi [0717 3015 0037]	Researcher, XINHUA NEWS AGENCY, Hong Kong Branch
Lin Ling [2651 0407]	Director and researcher, Sichuan Province Academy of Social Sciences
Lin Zili [2651 1311 0500]	Researcher, State Council, Rural Development Research Center
Lin Shenmu [2651 2773 2606]	Director, State Planning Commission, Investment Institute
Zhang Wanxin [1728 8001 2946]	Deputy director general, State Council, Economic, Technological, and Social Development Research Center
Zheng Zhong [6774 6850]	Researcher, State Council, Rural Development Research Center
Zheng Hongqing [6774 3163 1987]	Department chief, State Commission for Restructuring Economy
Yang Qixian [2799 0796 0341]	Member, State Commission for Restructuring Economy
Zhong Douxiang [6988 2435 4382]	Deputy director, Shenzhen municipal party committee, policy research office
Hu Ping [5170 1627]	Director, State Science and Technological Commission, National Research Center for Science and Technology for Development

**China Development Institute (Shenzhen, China) Council
Members List**

(1) Specialists and Scholars

(By stroke order of surname)

Zhang Pan [1728 4323]	Deputy director general, State Council, Economic, Technological, and Social Development Research Center
Zhang Peiji [1728 1014 1015]	Director, Ministry of Foreign Economic Relations and Trade, Institute of International Trade
Zhang Zhuoyuan [1728 0587 0337]	Director, Chinese Academy of Social Sciences, Finance and Trade Institute
Zhao Renwei [6392 0086 0130]	Director, Chinese Academy of Social Sciences, Economics Institute
He Gaosheng [6320 6964 5110]	Director, Shanghai municipal people's government, Office of Economic Restructuring
Xu Ming [1776 7686]	Adviser, State Planning Commission
Xu Jingan [1776 2529 1344]	Director, Shenzhen Municipal Commission for Economic Restructuring
Xu Liancang [1776 5114 0221]	Researcher, Chinese Academy of Sciences, Institute of Psychology
Gui Shiyong [2710 0013 6978]	Secretary general, State Planning Commission
Gao Shangquan [7559 1424 0356]	Deputy director, State Commission for Restructuring Economy
Pu Shan [3184 1472]	Chairman, China World Economic Association; director and researcher, Institute of World Economics and Politics
Xia Yulong [1115 4416 7893]	Deputy director, Shanghai Academy of Social Sciences
Liang Wenshen [2733 2429 2773]	Deputy director, Shenzhen Municipal Commission for Restructuring Economy
Tao Weiquan [7118 4859 0356]	Deputy director, Chongqing Academy of Social Sciences
Gu Yijian [7357 0110 0256]	Professor and general representative to the United States, Chinese Academy of Sciences, China International Personnel Exchange Association

**China Development Institute (Shenzhen, China) Council
Members List**

(1) Specialists and Scholars

(By stroke order of surname)

Sheng Yu [4141 1938]	Researcher, Chinese Academy of Social Sciences, Law Institute; deputy chairman, China Law Society
Peng Puzhang [1756 2516 3864]	Deputy chairman, All-China Association of Japanese Economics
Dong Shaohua [5516 4801 5478]	Executive deputy chairman, China Industrial Economics Association
Dong Guoliang [5516 0948 5328]	Deputy general manager, Shenzhen Municipal Investment Management Association
Dong Fureng [5516 6534 4356]	Researcher, Chinese Academy of Social Sciences, Economics Institute
Ceng Muye [2582 3668 6851]	Deputy director and researcher, Guangdong Province Academy of Social Sciences
Jiang Yiwei [5592 0001 5517]	Researcher, Chinese Institute of Social Sciences, Industrial Economics Institute
Lou Jiwei [2869 4949 0251]	Director, Shanghai municipal government, Office of Economic Restructuring

**China Development Institute (Shenzhen, China) Council
Members List**

(2) Educational Personnel

(By stroke order of surname)

Wang Jue [3769 3778]	Director, Central Party School, Economic Restructuring Research Institute
Wang Aimin [3769 1947 3046]	Professor, Zhejiang University
Li Yining [0632 0110 1337]	Director and professor, Beijing University, School of Economic Management
Liu Shibai [0491 6108 4109]	President, Southwest University of Finance and Economics
Ye Huaming [0673 5478 2494]	Director and high-level engineer, Shenzhen Municipal Science and Technology Commission
Song Zexing [1345 0463 5887]	Honorary director, Liaoning University, School of Economic Management

**China Development Institute (Shenzhen, China) Council
Members List****(2) Educational Personnel**

(By stroke order of surname)

Li Xianpei [2621 6343 3099]	Professor, South Central University of Finance and Economics
Li Baokun [2621 5508 0981]	Professor, Shanghai University of Finance and Economics, Industrial Economics Department
Chen Zhaobin [7115 5128 2430]	Professor, Jinan University
Hao Jinhuan [6787 6027 2719]	Professor, Tianjin Institute of Finance and Economics
Han Depei [7281 1795 1014]	Professor, Wuhan University, School of Law
Ge Jiashu [5514 1367 3412]	Director, Xiamen University, School of Economic Management
Xie Tao [6200 7290]	Professor, China People's University
Xiong Yangwu [3574 2503 2745]	Director, Heilongjiang University, Institute of Economics; Heilongjiang Provincial Social Sciences Federation
Sheng Weizao [3326 4850 5679]	Professor, Tianjin Nankai University

**China Development Institute (Shenzhen, China) Council
Members List****(3) Entrepreneurs**

(By stroke order of surnames)

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Wang Zhi [3769 0037]	General manager, China Great Wall Computer Group Corporation
Wang Yan [3769 3508]	General manager, Xian Electrical Machinery Manufacturing Corporation
Wang Yan [3769 7526]	General manager, China National Metals and Minerals Import and Export Corporation
Xu Yang [6079 2254]	General manager, Shenzhen Zhonghang Enterprise Group
Li Huazhong [2621 5478 1813]	General manager, Anshan Iron and Steel Corporation
Li Wenhua [2621 2429 5478]	Director, Shanghai Electrical Machinery Manufacturing Works

**China Development Institute (Shenzhen, China) Council
Members List****(3) Entrepreneurs**

(By stroke order of surnames)

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Li Chunfang [2621 2504 5364]	Manager, Liaoyang Petrochemical Fiber Company
Chen Qingtai [7115 3237 3141]	General manager, China Second Automobile Manufacturing Plant
Chen Jinhua [7115 6930 5478]	General manager, China National Petrochemical Corporation
Zhou Guanwu [0719 0385 0063]	Party committee secretary, director, Capital Iron and Steel Company
Zhou Jiajun [0719 1367 0193]	Deputy chief, Daqing Petroleum Administration Bureau
Zheng Dunxun [6774 2415 6064]	General manager, China National Chemicals Import and Export Corporation
Zhang Xiaobin [1728 2556 1755]	General manager, China National New Technology Development Investment Corporation
Zhong Quansheng [6988 3123 4141]	General manager, China National Textiles Import and Export Corporation
Yuan Geng [5913 1649]	Deputy executive chairman of the board, Toudang Group Corporation
Geng Chaojie [5105 0340 2638]	Director, China First Automobile Manufacturing Plant
Guo Daiyi [6753 0108 0308]	Manager, Chongqing Iron and Steel Company
Guo Ruitang [6753 3843 1016]	General manager, Nanhai Oil Shenzhen Development Service Corporation
Xu Yinglian [1776 5391 5571]	General manager, Guizhou Zhenhua Electronics Group Corporation
Huang Mobin [7806 1075 3458]	General manager, Wuhan Iron and Steel Company

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(4) Social Activists

(By stroke order of surname)

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Sun Dongchuan [1327 0681 1557]	Mayor, Chongqing municipal government
Bi Xi [3968 6932]	Mayor, Dalian municipal government
Lu Yudeng [7120 1342 3397]	Deputy mayor, Beijing municipal government
Zou Erjun [6760 1422 0971]	Mayor, Xiamen municipal government
Wu Disheng [2976 6611 3932]	Mayor, Shenyang municipal government
Zhao Baojiang [6392 1405 3068]	Mayor, Wuhan municipal government
Zou Wenjun [4440 2429 0193]	Deputy secretary, Shenzhen CPC Committee
Liang Guangda [2733 1639 1129]	Mayor, Zhuhai municipal government

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	Zhong Douxiang [6988 2435 4382]
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Sheng Weizao [3326 4850 5679]

**List of Funding Committee Chairman and Vice
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Chairman	Chen Jinhua [7115 6930 5478]
Vice Chairmen (by stroke order of surname)	Wang Zhi [3769 0037]
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	Li Tiechui [2621 6993 6925]
	Chen Qingtai [7115 3237 3141]
	Zhao Baojiang [6392 1405 3068]
	Yuan Geng [5913 1649]
	Guo Daiyi [6753 0108 0308]
	Guo Ruitang [6753 3843 1016]

Concept of Freedom Seen as Distorted

40050504a Beijing JINGJI CANKAO in Chinese
8 Apr 89 p 2

[Article by Zhang Dawei 1728 1129 3634 of Changchun:
"Freedom Is Not Characterized by 'No One Is Afraid of
Anyone'"]

[Text] "In today's society, no one is afraid of anyone." Some people think that this is a main characteristic of the times in post-reform China. In my view, it does make some sense. It shows that we, the Chinese people, have broken away from blind worship and finally found the value of ourselves (still far from perfect, of course). The mass criticism of the past, which was encirclement and suppression by nature, has almost disappeared in the last few years. The reason is very simple: The stick-wielding hatchet men are no longer paid for their services. Social values and standards are changing, and so are people's thinking and behavior. However, for these changes in social values and standards, we, the Chinese people, have paid a very high price, perhaps too much for what we get in return.

Just as one who marries a beautiful woman may have to endure her bad temper, we have gained the freedom from blind worship only to be faced with the phenomenon of shrinking social authority. The manifestation: No one is afraid of anyone. For example, "orders and prohibitions without strict enforcement" are as sickening as a beautiful woman showing the nicotine-stained teeth of a heavy smoker when smiling. The highest administrative organ has ordered a stop to extravagant eating and drinking, large-scale construction of office buildings, auditoriums, and hostels, and the import of large numbers of luxury cars, but the trend can hardly be checked. Government orders may be strict, but there are

ways to counter them. Fines, demotions, and disciplinary actions are nothing to be afraid of, and the solemn, red-bordered documents have become mere scraps of paper. Isn't it incredible?

The social phenomenon "no one is afraid of anyone" has turned into "I dare anyone to touch my backside!" For example, academic debate, which should allow everyone to air his views and speak without inhibitions, has become an arena in which people with different opinions fight to the bitter end, even going to court. For another example, the optimum organization of labor is a reform measure, but some people have taken it as an opportunity to engage in partisan activities or form a clique to pursue selfish interests, and anyone who does not agree with them will be kicked out, maligned, and discredited. The most feared possibility is a lawsuit and the huge expenses in manpower and material and financial resources involved. Many leading organs call frequently for criticisms and opinions by the press, but most press units know better than to stick their necks out and would rather sing praises and make everybody happy. Articles written in praise of someone, even exaggerated and unfounded, will never cause a lawsuit and may even bring unexpected rewards. Who knows?

No one knows exactly when this social phenomenon "no one is afraid of anyone" came into being, but many are suggesting ways to end it once and for all. At present, the best known remedy is a new authoritarian theory, which is quickly gaining popularity and becoming a hot topic of conversation. Regardless of whether the theory is right or wrong, it at least reflects the public demand that we still need a new principle of social justice as the criterion for maintaining normal social life. This is not to say that after being shackled for a long time we are not accustomed to being free and must find a new whip with which to lash ourselves in order to feel good. Freedom is not characterized by "no one is afraid of anyone." You need not be afraid of me or him, but your actions must conform with the principle of social justice observed by everyone. If you have violated the principle, you must correct your mistake immediately. It doesn't matter who told you so. It may be a red-bordered document, a foreigner, a Chinese, or an "enemy." If you don't, you should be punished promptly (not pending further review). But, what is this principle of social justice after all? It still needs to be discussed by all of us.

Wang Ruoshui Criticizes Mao Zedong in 1979 Speech

40050499 Hong Kong CHING PAO [THE MIRROR] in Chinese No 141, 10 Apr 89 pp 58-61

[Second part of article by Wang Ruoshui 3769 5387 3055: "An Important Lesson From the 'Cultural Revolution' Is That We Must Oppose the Personality Cult"; first part was published on p 4 in JPRS-CAR-89-078, 27 Jul 89]

[Text] This article was a speech made by Wang Ruoshui, a well-known Chinese philosopher and formerly deputy editor in chief of the RENMIN RIBAO, at a meeting on

matters of principle and political guidelines on 13 February 1979, given to us by the author for exclusive publication. The article, more than 18,000 words in length, citing a lot of little-known historical material, gives a detailed analysis of why Mao Zedong launched the Cultural Revolution and how he was able to do it.

In fact, this article is also critical of Mao Zedong. Its criticisms of Mao Zedong's promotion of the personality cult and his ultraleftist statements and treatment of intellectuals like enemies are still of great practical significance today. The subheads are added by the editor.

Practice Proved Mao Zedong Did Not Welcome Criticism

Many people learned a lesson from the Antirightist Struggle: praise, yes; criticism, no. This is called "revolutionary wisdom." Unfortunately, the development of events that followed further proved that Chairman Mao did not welcome criticism.

Some people criticized Chairman Mao's "craving for greatness and success." Chairman Mao retorted that he craved socialist greatness and socialist success. He did indeed. The 1958 Great Leap Forward may well be an expression of this craving. Chairman Mao wanted to blaze China's own way for building socialism, to outdo Marx, and to make greater contributions to mankind. As a result, some moves were made too fast and hastily, which was understandable. Owing to lack of experience, some mistakes were made, which was unavoidable. But we have to say that Chairman Mao also became conceited, imprudent, and intolerant of critical opinions. At first, Chairman Mao himself discovered some "leftist" problems in work in 1958 and began to correct them. However, when Comrade Peng Dehuai put forward his suggestions, the chairman's attitude changed immediately. To begin with, Comrade Peng Dehuai's suggestions were correct in content, well-meaning in approach, and organizationally proper. Yet Chairman Mao dismissed them as a "right-opportunist antiparty program holding high the bourgeois banner in an attempt to recruit followers and split the party," and an "attempt to usurp the party and turn it into an opportunist party." He said, "The task now is not anti-'leftist,' but anti-'rightist.'" "The struggle that erupted on Lushan Mountain was a class struggle, a continuation of the life-and-death struggle between the two antagonistic classes of the bourgeoisie and the proletariat in the course of socialist revolution over the last decade." As the issue was raised to the level of class struggle, it, of course, involved not just Peng Dehuai alone, but a large number of people. So "right-opportunists" were being dragged out from the top to the lowest level. The problem was really "left" deviation, but in order to refute criticisms, it was necessary to oppose right deviation. This was like pouring oil on the fire for the "left" mistakes being made at that time and the main cause for the 3 years of difficulties. But what did we say? We blamed the Soviet revisionists for our failure in industry, and the weather for our failure in agriculture. What about ourselves?

Test by practice did not prove the viewpoint of the sharpening of class struggle. We recovered from the 3 years of difficulties by relying on the policy of "readjusting, consolidating, filling out, and raising standards," and not on class struggle. The recovery did not prove that if we "grasp class struggle, all problems can be solved."

At the 7,000-strong meeting in early 1962, Chairman Mao once again admitted that he lacked experience in building socialism and called for effort to learn socialist construction, which was a realm of necessity. In the same talk, Chairman Mao called for promoting democracy and letting people speak up, and he advocated "not seizing on others' faults, not putting labels on people, and not wielding a big stick."

Also at this meeting, Liu Shaoqi said that the 3 years of difficulties were "30 percent natural disasters and 70 percent manmade calamities," and that if the people's communes "had not been started at that time, the situation could have been better. It would have been all right to postpone them for a few years." He said that Comrade Peng Dehuai's suggestions were "largely in keeping with facts." Comrade Deng Xiaoping said that "some errors were made in intraparty struggle" and that "some cadres were hurt unjustly."

Mao Zedong Made Ideological Preparations for the Cultural Revolution

Facts again proved that the comrades, who believed in the principle of the "three not's," were wrong. All the comrades, including Liu Shaoqi and Deng Xiaoping, who, encouraged by the principle of the "three not's," spoke their minds, criticized the work in 1958, and expressed some fair opinions about Peng Dehuai, later became targets of attack. In autumn of the same year, Chairman Mao said, "Never forget class struggle," and about class struggle, he said, "We must remind ourselves of it every year, every month, and every day." These words were later raised to the level of the "basic line." In 1976, Chairman Mao said, "After 13 years, the question of class struggle is brought up again, and the situation has begun to improve." As the situation improved, Chairman Mao's attention was again focused on class struggle. His emphasis on class struggle grew only stronger with time. The slogan of class struggle was used mainly against people whose opinions differed from his. The lesson of Stalin's "left" deviation was forgotten. In 1956, Stalin was criticized for broadening the scope of the struggle against counterrevolutionaries. During the Cultural Revolution, however, Stalin was criticized for "theoretically not recognizing class struggle," but Stalin's erroneous argument that "class struggle was becoming more and more acute" was not mentioned. Class struggle had not ended in the main, but was becoming more and more acute; counterrevolutionaries were not nearly extinct, but were growing in number. This idea developed and was twisted and exaggerated by Lin Biao, the gang of four, and Kang Sheng into the so-called "theory of continuing the revolution under the

dictatorship of the proletariat." This theory was the result of lopsided "leftist" development of some ideas from the article "On the Correct Handling of Contradictions Among the People," and a negation of the correct judgment that "class struggle has ended in the main."

Even so, the "theory of continuing the revolution under the dictatorship of the proletariat," backed up by Chairman Mao's authority and promoted for many years by propaganda, was implanted in the minds of the people, preparing them ideologically for the Cultural Revolution.

Personality Cult Was Prerequisite for Launching Cultural Revolution

It would be correct to assume that Chairman Mao started the Cultural Revolution in view of the lesson in the Soviet Union's turning revisionist. However, I think, Chairman Mao did not fully absorb the Soviet Union's experience. That's why he repeated Stalin's mistakes.

After questions about the Soviet Union and Stalin were raised, the RENMIN RIBAO editorial department published its "First Commentary" and "Second Commentary" on the subject, based on the discussion at an enlarged meeting of the Political Bureau. Even now, these two articles are still basically correct. The articles discussed Stalin's mistakes. A few passages follow:

"While properly applying the Leninist line and enjoying high prestige among the people at home and abroad, Stalin erroneously exaggerated his own role and regarded his personal power as opposed to the collective leadership... On the one hand, he recognized that the masses of the people are the makers of history, and that the party must always maintain ties with the masses, promote intraparty democracy, and encourage self-criticism and criticism from below. On the other hand, he accepted and encouraged the personality cult and preferred making arbitrary decisions by himself alone. Thus, on this issue, Stalin landed himself in a contradiction between theory and practice in the latter period of his rule."

Recognizing that mistakes are hard to avoid, the articles continued: "But, so long as we strictly follow and actively develop the Marxist-Leninist science of dialectical materialism, thoroughly abide by the democratic centralism of the party and state, and earnestly rely on the masses, nationwide, long-lasting, serious mistakes are avoidable."

The articles also urged us to guard against the following:

"If some communists become arrogant, complacent, and ossified in thinking, then they may repeat the same mistakes they themselves or others made before. We communists must take this possibility into full account."

I will not quote any more. I ask comrades to read the two articles yourselves. I think that even today many of the things said in the articles are still very refreshing. They

are refreshing because they have not been heard and have been forgotten for more than 20 years.

In September 1956, at the Eighth National Party Congress, Comrade Deng Xiaoping again stressed this point in his report on the revision of the party constitution:

"It is obvious that the making of important decisions by individuals is against the principle on which communist parties are founded, and that it will inevitably lead to mistakes."

"Essentially our love for the leader is expressed in our love for the interests of the party, class, and people, and not in the deification of the leader himself."

"The party Central Committee, too, has always opposed the sending of messages of greetings and messages reporting victories to leaders and the exaggeration of leaders' roles in works of literature and art. Of course, the cult of personality is a social phenomenon with a long history, and it is bound to find expression in our party and social life. Our task is to continue to firmly implement the party Central Committee's policy against giving prominence to individuals and against singing the praises of individuals..."

No one can avoid making mistakes, and this point was written into the party constitution adopted by the Eighth National Party Congress. Obviously, the question was taken quite seriously at that time.

By the time of the Chengdu meeting in March and April 1958, Chairman Mao began to divide the personality cult into two kinds: A correct kind, the worship of Marx, Engels, Lenin, and Stalin, for example; and an incorrect kind of worship, without analysis and characterized by blind obedience. Chairman Mao also divided opposition to the personality cult into two kinds: Opposition to incorrect worship; and opposition to worship of others, while demanding worship of oneself.

By 1963, in the "Ninth Commentary," the personality cult was treated in an entirely different way. On Stalin's mistakes, not a single word was said about his practice of the personality cult. On the contrary, the criticism was leveled at "opposition to the personality cult." "The so-called 'opposition to the personality cult' runs counter to Lenin's complete theory on the interrelationship between leaders, parties, classes, and the masses and undermines the party's principle of democratic centralism." "It is wrong and harmful to preach the so-called 'opposition to the personality cult.'" "In fact, it is to set the leader against the masses, undermine the party's unified leadership of democratic centralism, weaken the party's fighting capacity, and demoralize the party's forces."

Let's compare the above with the "First Commentary" and "Second Commentary." It was said then: "Any leader of the party and state who places himself above the party and the masses instead of being a member of his party and the masses, and who cuts himself off from

the masses, will be unable to see things completely and clearly in running state affairs... In the latter part of his life, Stalin went farther and farther down the road, indulging in the personality cult and violating the party's democratic centralism." Contrary to the "Ninth Commentary," it was pointed out then that the personality cult is incompatible with the party's democratic centralism, and that the practice of the personality cult means the incorrect handling of the relationship between leader, party, and the masses. Wasn't this a repudiation of one's own words?

In 1958, Chairman Mao still maintained that there were two kinds of opposition to the personality cult—a right kind and a wrong kind. But now, there was no more such differentiation. Any kind of opposition to the personality cult was wrong.

In the report to the Eighth National Party Congress on the revision of the party constitution, the phenomenon of the personality cult was still recognized as something to be opposed. But, no more. Chairman Mao told Edgar Snow, "I said then there was no personality cult. Actually some kind of a cult was necessary."

Chairman Mao noticed the seriousness of Khrushchev's denunciation of Stalin, but ignored the lessons to be drawn from Stalin. If Stalin did not make the mistakes of encouraging the personality cult and expanding the elimination of counterrevolutionaries, Khrushchev would have no reason to denounce him. If Chairman Mao did not express the need for some kind of cult, but upheld our party's 1956 viewpoint on the personality cult, it would be impossible for Lin Biao and the gang of four to attain the important positions of party and state leaders by "holding high [the great red banner of Mao Zedong Thought]." Their "holding high" was in fact a personality cult. And without the personality cult, it was impossible for Chairman Mao to start the Cultural Revolution. Lin Biao was correct when he said: The first requirement for launching the Cultural Revolution is to "rely on Mao Zedong Thought and Chairman Mao's high prestige," and "it won't do without Chairman Mao's brilliant leadership and the absolute authority of Mao Zedong Thought."

Why Mistakes Were Made Repeatedly in the Cultural Revolution

The Cultural Revolution began with the criticism of "Hai Rui Dismissed From Office." "Hai Rui Dismissed From Office" was denounced as an attempt to reverse the verdict on Peng Dehuai. In fact, Chairman Mao himself had endorsed Hai Rui. Probably that was what prompted Comrade Wu Han to write "Hai Rui Upbraids the Emperor," "On Hai Rui," and "Hai Rui Dismissed From Office." Whether Chairman Mao was again "fishing" and "enticing the snakes to come out from hiding" this time was not known. Chairman Mao was very sensitive about attempts to reverse the verdict on Peng Dehuai. In his view, Peng Dehuai was a person much like Khrushchev. He could not tolerate such a person to

appear in China. When Chairman Mao referred in "My Big-Character Poster" to Liu Shaoqi's right deviation in 1962, he undoubtedly was thinking about the remarks Liu Shaoqi made about Peng Dehuai. He chose "Hai Rui Dismissed From Office" for the first shot of the Cultural Revolution also because he suspected that it was aimed at reversing the verdict on Peng Dehuai. Exactly as he said, "The heart of the matter is the question of dismissal from office. Emperor Jia Jing [of the Ming Dynasty, 1522-66] dismissed Hai Rui from office. In 1959 we dismissed Peng Dehuai from office. And Peng Dehuai is 'Hai Rui' too."

In sharp contrast to the fate of Peng Dehuai, who was upright and never stooping to flattery, Lin Biao, who "studies Mao Zedong Thought most diligently, holds the great red banner of Mao Zedong Thought the highest, and follows Chairman Mao most closely," replaced Liu Shaoqi. And he promoted the personality cult all the more vigorously. A vast number of naive red guards, who worshiped Chairman Mao "most ardently," followed him in the personality cult movement. Chairman Mao had greater faith in them than in many old cadres. His initial plan was that the revolutionary committees to be formed after seizing power should be a three-in-one combination of "the PLA, cadres, and the masses."

At first, Chairman Mao obviously did not intend to keep the Cultural Revolution going for so long. He wanted it to end in 1967. However, once started, the Cultural Revolution proceeded according to its own laws independent of man's will. Nor did Chairman Mao fail entirely to see the harmfulness of the ultra-"left" trend of thought. He tried once to correct the trend, but was not very successful. First there was the interference and disruption by Lin Biao and the gang of four, and then Chairman Mao never sought to fundamentally solve the problem.

Chairman Mao also criticized the fanatical personality cult during the Cultural Revolution. For example, he criticized the expression to "establish in a big way" the "absolute authority" as inappropriate, and he criticized the "theory of innate genius." However, it was not until early 1971, when he became aware of Lin Biao's problem, that he told Edgar Snow that the personality cult should "cool down" and that the "four great's" [Mao referred to as the great teacher, great leader, great supreme commander, and great helmsman] were "annoying."

Mao Did Not See Through Lin Biao at First

After Lin Biao's self-destruction, and with Chairman Mao's consent, a letter written by Chairman Mao to Jiang Qing on 8 July 1966 was made public. In this letter, Chairman Mao divided himself into two, saying that he was both tiger and monkey in spirit. He said, "It is valuable to know oneself." At the same time, he explained why he endorsed and circulated Lin Biao's "18 May" speech.

"At the Hangzhou meeting in April this year, I expressed disagreement to the way I am being referred to by my friends. But, what's the use? At the meeting in Beijing in

May, they continued to talk that way. The newspapers and magazines went even further and lauded me to the skies. So I was forced to go along. I guess their true intention is to make use of Zhong Kui [legendary character said to have power to drive away ghosts] to fight the ghosts."

"It seems that I have to agree with them. For the first time in my life I have to agree against my will with the others on a major issue. Call it something independent of man's will."

"The matter cannot be made public now. The entire left and the broad masses are talking this way. Making it public would be pouring cold water on them and helping the rightists..." "I am not sure when it can be made public."

But Chairman Mao obviously had the feeling that the matter would be made public some day and was prepared for it. To indicate his disagreement to the excessive way Lin Biao extolled him, he made some modest remarks, but he was also very worried that his modest remarks could be made use of by someone. Therefore, he wrote the following in the latter part of his letter: "If the right stages an anticommunist coup d'etat in China, I am sure they will know no peace either and their rule will most probably be short-lived... The rightists may use my remarks to their advantage for a time, but the leftists certainly can use other remarks of mine to get organized and overthrow the rightists."

Chairman Mao probably could not imagine that the situation today could have changed so much. Now we can do anything that practice has proven correct, and there is no need to quote Chairman Mao's teachings. What practice has proved to be wrong cannot be done, and quoting Chairman Mao will not help. Of course, we are just thoroughly implementing the fundamental principle of Marxism-Leninism-Mao Zedong Thought, the integration of theory with practice, and adhering to Marxist stand, views, and methods.

The exposure of the problem of Lin Biao awakened people a little from their blind worship and to the awareness that Chairman Mao had made a mistake in choosing his successor. Actually, on Lin Biao's part there was a process of development and self-exposure, and on our part there was also a process of getting to know him. This was Premier Zhou Enlai's explanation at that time, and it could be accepted by the people. However, the gang of four wanted to do everything in their power to protect Chairman Mao's image as a man who never makes a mistake (They really didn't think so, of course. It was their double-dealing tactics.). For example, Jiang Qing said that the letter showed Chairman Mao at that time already came to see that Lin Biao was not a true Marxist. In an article he wrote in 1975, "On the Social Basis of the Lin Biao Antiparty Clique," Yao Wenyuan said:

"Analyzing the thinking of Lin Biao and his gang in a letter written in the early days of the Great Cultural Revolution, Chairman Mao pointed out: 'I guess their true intention is to make use of Zhong Kui to fight the ghosts.' ...It was a case of making use of a brick to knock

open the door, and once that was done they would no longer need it and would hatefully get rid of it."

This made it appear as if Chairman Mao already saw through Lin Biao's thinking in 1966. Yet anyone who pays a little attention to reading that letter Chairman Mao wrote will certainly not arrive at the same conclusion. Chairman Mao called Lin Biao "my friend" and Liu Shaoqi a "ghost." Chairman Mao also made a favorable explanation of Lin Biao's motive in "establishing the absolute authority of Mao Zedong Thought in a big way," saying that Lin Biao's real intention was to use the chairman's prestige to fight Liu Shaoqi, the ghost. Chairman Mao at that time had not seen through Lin Biao's wild ambition and machination. Otherwise, how can we explain what happened at the Ninth National Party Congress? How can we explain Lin Biao's becoming Chairman Mao's successor? In order to spread the personality cult, Yao Wenyuan insisted that Chairman Mao saw through Lin Biao's thinking at the very beginning, ignoring the simplest facts and logic. Yet, the article was checked and approved by Chairman Mao, and the paragraph mentioned above was not deleted.

In 1971, Chairman Mao criticized Lin Biao's remark that "every sentence [by Chairman Mao] carries more weight than 10,000 ordinary sentences." The expression was from Lin Biao's "18 May" speech, which had been approved by Chairman Mao. Lin Biao's original remark was: "Every sentence by Chairman Mao is the truth and carries more weight than 10,000 sentences by us." Chairman Mao criticized the second half of the sentence, but let go of the first half. It seems to us that "every sentence is the truth" is a much more preposterous statement than "every sentence carries more weight than 10,000 ordinary sentences."

Democracy, Authority 'Indispensable for Socialism'

40050504b Beijing JINGJIXUE ZHOUBAO
[ECONOMICS WEEKLY] in Chinese 9 Apr 89 p 5

[Article by Tu Wentao 3205 2429 3447: "Tolerance and Democracy"]

[Text] The reform is the second revolution in China's revolutionary history, and it will inevitably involve a readjustment of interests and powers. There will be difficulties and ways to overcome them. It is crucial in the face of difficulties to prevent constructive differences of opinion in the course of the reform from being artificially turned into political polemics and even struggles directed at people, and particularly to prevent reforms from being turned into a movement, that is, to solve debates caused by differences in ideology, theory, and viewpoint in the course of the reform by launching a movement. Any extreme and ruthless moves can only hurt and never help the reform effort.

Experiences and lessons of nearly 40 years since the founding of the People's Republic tell us that the original

intention and subjective desire for revolution and construction are often good, but extreme measures, rash advances, ruthless blows, and artificially high goals will invariably bring results contrary to our expectations.

The building of a modern democracy on a semicolonial, semifeudal basis is a gradual process. Extreme democracy can lead to the other extreme—anarchism. At present, there is a lack of democracy on the one hand, and anarchism, each going his own way in defiance of authority, on the other. Strengthening democracy and rebuilding the authority indispensable for socialism are two tasks that can be carried out together without coming into conflict. Using democracy to attack others without justification and engage in ruthless political struggles is equally tragic as using autocracy to engage in ruthless struggles. The reform must readjust the unreasonable interest structure of the past. Otherwise, it will be unable to inspire the whole nation to forge ahead courageously; unable to arouse the enthusiasm of intellectuals, workers, peasants, soldiers, members of the Communist Party and other democratic parties, and cadres; and unable to succeed. Advertising oneself as "the only reformer" is just like calling oneself "the only revolutionary" during the Cultural Revolution. The climate of public opinion in the course of the reform should be one of tolerance. It is general and mutual tolerance as well as tolerance of specific viewpoints and stands. Because there will always be right and wrong, the division between "left" and "right" is one of the sources of ruthless struggle and a manmade obstacle to public debate between correct and erroneous theoretical viewpoints. The division is not only unscientific but also runs counter to the spirit of thoroughly discarding the theory of "taking class struggle as the key link." Even those who have been intolerant should be tolerated. If this principle can be established, we may be able to walk out of the valley of "either this or that" at last. In fact, by allowing only "correct" opinions to be expressed, we may get only falsehoods in the end. Examples are too many. Rights without obligations will lead to the corruption of the party; obligations without rights will lead to the disintegration of the party organism.

The so-called delegation of authority to lower levels at present is merely a division of powers between departments and regions. The shifting back and forth between centralization and decentralization can hardly establish authority (power but not authority). The reform of the political system should be aimed at returning power to society.

The system to produce leaders of society should embody the spirit of democracy and authority. The selection of heads of government by the people is an expression of the democratic spirit, and, once chosen, the leaders and heads should have the authority to exercise unified leadership in government affairs. In real life, there is often a lack of both essential democracy and necessary authority, which is one of the reasons why enthusiasm is hard to arouse and efficiency is low. For a long time past, there have been only ideological and political authorities

and no managerial, legal, and institutional authorities. As a result, the authority indispensable for socialized large-scale production has been distorted, and people have become disgusted with authority. This is very dangerous. A democratic election system should be developed from top to bottom, and direct election of leaders for basic-level organizations (including party, administrative, and economic organizations), which will have an undeniable impact on strengthening the democratic consciousness, should begin to be implemented step by step. However, the voters and those elected in basic-level organizations are often on opposite sides, with a direct conflict of interests (the leadership versus the led and the management versus the managed), and, at the same time, they are also in the same interest group. In exercising their right to vote, the voters are psychologically influenced by their own interest considerations. To win votes, those elected have to do things the voters want at the expense of the overall and long-term interests of society as a whole. As a result, it is difficult for basic-level organizations to be managed scientifically; their actions are for the short term; their production, operations, and management are poorly organized; discipline is lax; and efficiency is low. The masters of basic-level enterprises and units may think that the workers should play a lesser role, but the masters of society are conscious of the need to strengthen the role of the workers.

The workers' right of democratic election should be embodied in the election of leaders for entire societies (that is, government heads with authority to make important decisions concerning the interests of an entire society), and not in the direct election of factory directors, workshop chiefs, and even shift and work team leaders. These basic-level leaders should be appointed by the relevant higher organization according to the ownership of the property, and their terms of office should be the same as those who appointed them. The workers' approval of the leaders of an entire society or a higher organization includes their approval of their immediate managers.

Suggestions for Systematization of Party Standards

40060599a Zhengzhou LINGDAO KEXUE
[LEADERSHIP SCIENCE] in Chinese
No 5, May 89 pp 10-11

[Article by Li Yi 2621 0001, Party School of the Taizhou Prefecture CPC Committee: "Trial Discussion of the Systematization of Party Standards"]

[Text] The report of the 13th CPC Congress pointed out that "the main forms in which the party exercises political leadership over state affairs are by statutory procedures turning the party's position into the national will, and by the party organizations' activities and the party members' exemplary role, spurring the broad masses of people on to achieving the party line, principles, and policies." It also said that we must "in party building

take a new position by not engaging in political movements but rather depending on reform and system building." Here, the logic is clear: The building of systems in the party is the necessary condition for turning the party's political function into the state's will. It cannot be imagined that, under the circumstances in which the systems in the party are not sound, and under the circumstances in which party members' behavior lacks the guidance of systems, the party can conscientiously and smoothly effect its own external political leadership. In this respect, the problem now is not only that a considerable number of party members do not have a good understanding of the systems, what is more important is that the building of our party organizations and systems has stopped at the verbal level and there has been no formulation of effective systems, with the result that for a long time it has been impossible to enhance party members' consciousness of the systems. Given this situation, this writer thinks that, to enhance party building, besides stressing the 13th CPC Congress report, which pointed out that "the party must be run strictly," we must strive to run the party scientifically, that is, make use of a set of scientific methods to enhance party building. The scientific nature in running the party is manifested in standardization. The party is a system composed of individuals. In this system, the efficacy, vigor, functions, and external exchange of energy are determined by the order and the composition of this order in the party member's individual quantum of energy, and the magnitude of the party member's individual role appears in the form of joint effort. Therefore, the strength of an organization, under the premise of guaranteeing the quality of its members, lies mainly in whether there is order within it. If there is order, then the consistency of joint effort can be guaranteed and internal consumption can be reduced. This tells us that the systematization of party standards is a link in the foundation for building the party and running the party scientifically at the present time. If we abandon this, there will be no unified will and no trustworthy fighting capacity.

1. The current situation in party standards. Since its founding, our party has always operated in a situation in which the party standards have been incomplete. Because the standards are incomplete, the internal control system is out of balance, causing party leadership work to be arbitrary and, thus, leading to frequent derailments in work. Looking back at the party's history, we discover that there has frequently occurred within the party left or right disruptions and that there has been a strong flavor of rule by man, causing setbacks in party work. It was during the 3d Plenary Session of the 11th CPC Central Committee that we began to rethink the situation, and at the 13th CPC Congress we very clearly realized the principle that party building must depend upon reform and the building of systems, and not on political movements. This is an experience and lesson that our party paid an enormous price to get. If it had been able to see this point at an earlier date, many of the party's faults, at least its major faults, could have

been avoided. Since the founding of the CPC more than 60 years ago, an integrated system has never been formed in the party's regulations, and these regulations have taken on a bipolar distribution: One pole is the party's highest basis—the party constitution; the other pole is the many red banner documents and resolutions, which have a very strong effect for a given period of time. There is no intermediate link between the two poles. In addition, within the party all sorts of red banner documents and leaders' speeches are frequently issued. Some of them do not tally with the party constitution, some of them contradict each other, and some of them do not have a time limit for their effectiveness, thereby causing the party members to not know what course to pursue and to adopt a compromising attitude. In a party member's mind, the position of the red banner documents is not as good as that of the leading comrades' speeches. Very few party members conscientiously make use of the party constitution—this high-level standard—to adjust the various relationships inside and outside the party. At present, although we understand the great importance of building systems in the party, the actions we take are far from adequate.

2. A plan for the systematization of party standards. What does the systematization of party standards mean? A system of party standards comprises the regulations for behavior formulated by party organizations at all levels and the ensurance of their implementation. There are three levels in the system of party standards, namely, the party constitution, the party rules and regulations, and the party ordinances (including those in the form of resolutions and documents). If the speeches of the leading comrades are not in the above forms, they cannot be counted as party standards, and, at most, are important references provided for party members. The party constitution stipulates the party program, nature, guiding ideology, purpose, and fundamental tasks in a given period of time. In the party's activities it plays a fundamental role as the criterion, is the highest standard in the party, and possesses the highest authority and effect. The party is organized in accordance with the party constitution. The party constitution stipulates the rights and obligations between party organizations, between party organizations and party members, and between party members. This is the supreme nature of the party constitution. Thus, all secondary standards must be subordinated to the party constitution and must be formulated on its foundation. By party systems, I mean three systems: The first system is the work standards for organizations at all levels, including the scope, responsibility, and jurisdiction of this work, the criteria for this work, and the procedures for this work. The second system is the post standards in the party, including the nature, duties, powers, and criteria for every specific post. The third system is the supervision system, including political supervision and work supervision. A conventional system may be regarded as an extension and specification of the party constitution. Although its effect is secondary to that of the party constitution, with regard to the scope of its effect, it still

possesses the nature of being applicable to the party as a whole. With regard to the main part that was formulated, it is not a congress of the entire party, but is a system formulated by the functional departments of the party Central Committee (like the Organization Department, Propaganda Department, and Central Discipline Inspection Commission) in line with the party national congress and the party constitution, and its effectiveness for a given period of time is fairly long. Party standards at this level must embody the party's principle of equality, principle of democratic centralism, principle of serving the people, and principle of efficiency. Our party has never paid sufficient attention to building party standards at this level. Up to today the conventional system comprises multipolar, limited standards. Party ordinances are the specifications of the conventional system. They are the detailed regulations on how party members should do things with regard to certain tasks and certain tendencies of the party organizations at all levels. Local organizations at each level may, without violating the party constitution and the system of party standards, formulate specific methods that suit the situation in their own areas, and they have a certain elasticity in this respect. Within the party, this type of standard seems to have already been used indiscriminately. Documents have turned into "mountains of paper." Also, levels are not clear, presentation is not clear, and documents contain many uncoordinated component parts. Originally, this kind of party standard enriched the materials that should be considered, so that party members' understanding of the situation and tasks was made simple and easy, turning the actual practices of party members into ordinances that were distinct and that guided the actually assigned goals. At present, in fact, it cannot effectively guarantee the consistency of intraparty order. Thus, party standards at this level must be rectified. A certain generality in the party standards should be maintained, and they should provide party members with direction for their behavior that is reliable and without contradiction.

In the above three levels of party standards there exist mutually recurring relationships. The party constitution is the party's fundamental system, the party rules are the party's basic system, and the various ordinances, resolutions, and documents of the party are the specific methods. The one after is the specification of the one before, and there must be no conflict between the specification and the one before. The first level belongs to the standards of the nature of a general principle, and they are rules for what the party does as a whole. The second level consists of standards of a substantive and procedural nature. Among the standards of a substantive nature are rules on what the party organizations and party members can and cannot do and the standards of a procedural nature are rules on what they can do. The third level consists of standards of an executive nature and a self-initiating nature. Standards of an executive nature provide to the party members rules that must be executed and obeyed; standards of a self-initiating

nature mean individual supplementary rules that have an effective range from the lower to the upper level.

3. The systematization of party standards determines the building systems in the party at the present time. The systemization of party standards is a goal of party building, and it depends on us to achieve this goal step by step. What, then, do we urgently need to do now? I think we must get a good grip on two things: First, we must conscientiously enhance the large number of rules in the party since the founding of the PRC that belong to the second and third levels, set up special organizations to make regular appraisals of party standards that are no longer in effect, and circulate reports on party standards that have just gone into effect (particularly standards of a local nature). Since the founding of the PRC, our party (including its local organizations) have formulated and promulgated many rules and regulations about which we do not have a fairly good idea. We are not clear about which of them, because of changed situations, are no longer applicable; which of them, although basically useful, urgently need to be supplemented and revised before they can continue to display their effect; and which of them are standards that contradict each other and need explicit orders for annulment. Second, we must, based on need and possibility, focus on enhancing the building of party rules at the second level. There are now fairly many problems that touch on this level. The practices of party workers with regard to many problems is to depend on conventions, and in their hearts they are insecure, feeling that it is impossible to depend on them and that they lack persuasive power and binding force. Their basis for handling problems is not the legal standards of the party, but rather are materials of a reference nature and books of a nonstandard nature, such as the *Handbook on the Party's Organizational Work*, *Handbook for Party Members*, and *Handbook on Party Branch Work*. The practice of handling problems based on the opinions of higher-level party organizations and leading comrades is not sufficiently scientific, serious, or uniform. With regard to the building of the basic systems within the party, I suggest that we now first get a grip on and perfect the work systems of the central and local organizations, the rules of procedure, voting systems, and daily life systems, so that the systems at this level gradually make the transition to being scientific, democratic, and networked.

In brief, the systematization of party standards determines the magnitude of the party's internal connections and joint efforts, and reflects the degree to which the party is being run scientifically. All comrades in the party and party organizations at all levels should pay full attention to this point.

Proposals for Dealing With 'Incompetent' Cadres

40050599b Zhengzhou LINGDAO KEXUE
[LEADERSHIP SCIENCE] in Chinese
No 5, May 89 pp 19-21

[Article by Yang Taibo 2799 3141 3134, secretary general, Yiyang Prefecture CPC Committee: "Casting Off the Difficulties in 'Being Able To Go Up But Not Being Able To Go Down'"]

[Text] Since 1984 the Yiyang Prefecture CPC Committee, with much daring and resolution, has made every effort to change the long-term practice of cadres "being able only to go up but not being able to go down" and "if one does not make a big mistake one will not lose one's official post" by decisively and appropriately demoting or dismissing a number of leading cadres who were not competent in their current posts. According to statistics, as of the first half of 1987, a total of 242 persons in the prefecture had been demoted or dismissed. Of them, four were demoted from office chief level to deputy office chief level, nine were demoted from deputy office chief level to section chief level, 115 were demoted from section chief level to deputy section chief level, and 114 were demoted from deputy section chief level to ordinary cadre. This was a major breakthrough, which evoked repercussions from top to bottom throughout the prefecture and shocked the nerves of a large number of cadres. Those cadres who were of limited ability and who were undeserving lost their "sense of security" and developed a "sense of crisis;" those cadres who had strong capabilities and who did good work felt proud and elated and worked harder. At the same time, following implementation of this reform, a competitive situation was gradually formed in the cadre ranks. In making use of people, unhealthy tendencies were checked and the situation in which there were many superfluous officials and overstaffing began to change. There was increased vitality among the entire cadre ranks. Precisely because this was the case, the great number of cadres and masses unanimously commended this reform for getting to the heart of the matter. The higher-level party committee fully endorsed this practice; the General Office and the Propaganda Department of the CPC Central Committee and RENMIN RIBAO in succession recommended this practice to the entire country.

However, in the last more than 1 year, progress in this reform has been slow and in some places has stopped. Why has this been the case? The main reason is that in the process of carrying out reform a series of difficulties has been encountered. Even though the prefectural party committee did not change its original intention and did its utmost to promote this reform, in the end it was very difficult to make strides, because resistance was too great.

The first difficulty encountered was the powerful pressure of public opinion in society. For a long time demotions and dismissals were often linked with the commission of mistakes, namely, the idea that "if you don't make a mistake you can't be sent down; if you are sent down you must have made a mistake." Therefore, when a cadre was sent down, gossip flew thick and fast, putting a heavy ideological burden on him. Without a doubt, this added to the difficulty of making it possible for a cadre to go both up and down.

The second difficulty encountered was that there were too few outlets for incompetent cadres. Because the current cadre structure is irrational, many comrades can do only

administrative work and do not have a second profession. Frequently, a cadre who is changed from a leader to an ordinary cadre does not pan out, and he even less pans out as a specialized technical cadre.

The third difficulty encountered was the network of human relationships and various worries, such as fear of offending others and fear of making trouble. In reality, when a cadre is demoted or dismissed there are intercessions for him from all quarters; there are cases in which the leadership is compelled to countermand the order, and there are also cases in which people are unreasonable and make a scene, behave atrociously, and even threaten the leadership by various means. Faced with these pressures, some leaders who do not have strong backing submit and retreat from their position.

The fourth difficulty encountered was the restriction imposed by the "macroclimate." There are not many places where the practice of cadres being able to go both up and down has truly begun. With regard to the country as a whole, it is still the case that "it is easy for a cadre to go up, but difficult to send him down." In particular, the higher levels have not set an example; the higher the post, the harder it is to be sent down. A cadre who is an official at place A and does not pan out is transferred to place B, where he remains an official; he can only go up but not be sent down, and even if he makes a mistake he will not be dealt with, but will easily remain an official. This creates in people a psychology of invidious comparison. Some cadres, when demoted, took a correct attitude at the time, but not long afterward, seeing that there had been no movement at the higher level and no movement around them, they began to suffer an ideological relapse and, being very unconvinced, questioned their leaders: "Why is it that on the lower level one can go both up and down, but not at the higher level? Here we do so; don't they do so in other places? Is this a policy?" Faced with this kind of questioning, the leaders were unable to come up with reasons that were sufficient to convince the cadres.

The fifth difficulty encountered was that there was no law to depend on for going both up and down. After going through a period of practice, our prefectural party committee felt deeply that the lack of clear laws and regulations was the most fundamental difficulty encountered in the work of making it possible for cadres to go both up and down.

Looking back on the path taken in the past several years by the prefectural party committee in doing work to enable cadres to go both up and down, the path was like this: difficult at the start and even more difficult farther along. However, the present reality does not permit us to stop and not press forward. Many comrades have said it well: The cadres hold "iron rice bowls"; to break the "iron rice bowls" of workers and peasants cannot be justified in reason and will not do in practice. Then, how can this reform be made deep-going? By rethinking the situation in our prefecture, I have come to the conclusion

that, provided the following countermeasures are taken, this barrier can be breached.

1. First of All, Hold the "Two Discussions" To Create the Macroclimate and Macroenvironment Suitable for This Reform

A major social change is always led by a breakthrough in theoretical research and a preparation of public opinion. Putting into effect the practice of cadres being able to go both up and down and abolishing the cadre life tenure system is a major reform of the cadre system, and is also a reform that must be done in two aspects.

First of all, we must make clear in theory the harm and source of the leading cadre life tenure system, and must make clear the correct meaning, suitable range, and standards for "going up" and "going down" for younger cadres. The true essence of abolishing the leadership post life tenure system and putting into effect the practice of cadres being able to go both up and down is putting into effect the leading cadres' term of office system and setting up a dynamic system of cadre management in which there is survival of the fittest, thereby preventing, in the form of system, an individual monopoly of power, and ensuring that the quality of the entire cadre ranks from first to last suits the development of the situation. There certainly must be research to understand these major theoretical problems. Only in this way can we occupy a commanding height and guide this reform.

Second, we must strive to form a powerful public opinion in society that is beneficial for cadres being able to go both up and down. We must break free of the old concept that "one appointment sets one up for life," establish the Marxist concept of advancing and retreating in which there is a supercession of the old by the new and in which there is survival of the fittest, and enhance the cadres' capability for psychologically enduring the practice of their being able to go both up and down. We must resist the negative public opinion that holds that "if one goes down one must have made a mistake, and one has a problem," and clearly mark the demarcation lines between being incompetent and making a mistake and between work behavior and work capability, and gradually create a healthy environment of public opinion in which cadres are able to go both up and down.

2. From Top to Bottom Set Up, Stage by Stage and Step by Step, a System That Enables Cadres To Go Both Up and Down

The final goal in putting into effect the practice of cadres being able to go both up and down is the establishment of a dynamic cadre management system in which there is survival of the fittest. It may be assumed that there will be a rough division into these three steps: In the first step, there will be a large-scale replacement of old cadres with new cadres, and a large number of outstanding younger cadres will take leadership posts; in the second step, a number of cadres who are unsuited for leadership posts will be eliminated through competition, including

some who are new cadres who had replaced old cadres; and in the third step, the term-of-office system and the rotation system will be put into effect for leading cadres at all levels, so that at any time outstanding cadres can replace cadres who prove to be definitely inferior. Now, speaking of the country as a whole, the first step has already been taken and in some places the second step has begun to be taken. This shows that the conditions and climate are basically ripe for putting into effect, on a fairly large scale, the practice of cadres being able to go both up and down, and that the accumulation of quantitative changes has reached a degree that makes it possible to effect a qualitative change. The key is to proceed from top to bottom, and then we will have an irresistible force and will not, because of differences in understanding, make the steps differ, make invidious comparisons with each other, and bungle the chance of winning the battle. Currently, we should integrate the reform of the organizations with the implementation of the "Public Employee Law," which was promulgated not long ago, and with boldness and assurance and without the slightest mercy, appropriately eliminate a number of incompetent cadres.

3. Get a Tight Grip on Legislation, and Gradually Standardize and Systematize the Practice of Cadres Being Able To Go Both Up and Down

Establishing laws and regulations is the fundamental way to abolish the leadership post life tenure system and to ensure that cadres are able to go both up and down. Therefore, the main thing is to set up the following systems:

First, there is the system in which duties and rights are unified and balanced. This is the key to solving the problem of the leadership post life tenure system. To put this system into practice, we must make clear in law which posts are to be undertaken and what the corresponding duties are. Dereliction of duty or nonfulfillment of duty must be investigated. The state of affairs, which has lasted for a long time, of only having rights with no responsibilities must be resolutely changed, as must the idea that it is a matter of indifference whether one did well or poorly, did much or little, so that if one cannot perform one cannot go up, if one cannot perform well one will go down, and if one performs badly one will be disciplined.

Second, there is the term of office system. This is the essence of putting into effect the practice of cadres being able to go both up and down. In putting this system into effect, we must work out a responsibility system for the term-of-office objectives, making clear the provisions for the objectives and tasks during the term of office, making demands by the year, and assessments at regular intervals. If, during the term of office, an assessment is made that the tasks have not been completed, then the cadre must be immediately removed, not waiting until the term of office is finished before doing so, and, thus, work will not be adversely affected. With this kind of provision, a cadre who has not fulfilled the objectives of

his term of office will be completely convinced that he can be demoted as well as promoted.

Third, there is the probatory period system. This is an effective system for forming into a complete set the practice of cadres being able to go both up and down. All newly promoted leading cadres need to be put on probation for a year. From a look at the situation in practice, this way of doing things has many advantages. First, it is advantageous for the accurate selection of cadres; second, it reduces the amount of work involved in the practice of cadres being able to go both up and down.

Fourth, there is the scientific assessment system. This is a vital part in ensuring that the practice of cadres being able to go both up and down is handled correctly. First, the principle of quantification must be upheld; next, the principle of achievement in one's official post must be given prominence; and finally, the principle of democracy must be implemented.

Besides the above principal systems, there are the election system, appointment system, post classification system, cadre appointment and dismissal, impeachment, and retirement systems; and so forth. They are also very important and should be set up as soon as possible and gradually perfected, so that strides are made toward the systematization of the practice of cadres being able to go both up and down.

4. "More Mouths and Separate Streams"— Appropriately Solve the Problem of Finding Outlets for Incompetent Cadres

Finding outlets for incompetent cadres is an extremely prominent, extremely knotty problem encountered in the process of making cadres able to go both up and down. This problem cannot be evaded. There is no way to put it off; if you put it off today, you won't be able to put it off tomorrow. Therefore, I feel that to delay making a decision to solve it is not as good as making a decision early on to solve it.

The starting point for solving this problem should be to benefit the maintenance of the vigor of party and government organizations at all levels, and to also see that each cadre who "goes down" is properly provided for. With regard to methods and steps, we must vigorously but safely carry them out, taking into account the psychological endurance capability of society and people. With regard to specific measures, under the premise of strictly controlling the leading cadres' "points of entrance," we must adopt the method of "many mouths and separate streams" and open wide channels for arranging for the placement of cadres who have been sent down from their posts. For example:

Returning them to their original positions. This means mobilizing those cadres with specialized skills to return to their original work, with which they are familiar.

Changing posts.

Transferring to a lower level for tempering.

Leaving their posts for study.

Being taken in by the "two groups." Leadership organizations at the county level and above may set up cadre investigation and study groups and cadre information and advisory service groups, which will take in some fairly old cadres at the deputy county head level and above who have a certain educational level and practical experience to work in investigation and study and in the information and advisory service as staff officers for the leadership organizations.

Digesting by industry and commerce run by the local people. With the prosperity of industry and commerce run by the local people made primary, this industry and commerce may take in a number of cadres who have been sent down from their posts, turning burdens into wealth, so that their role is given full play.

"Taking care of," leaving, retiring, and "suspending." "Taking care of" means to take care of a small number of cadres who have a fairly long record of service (like 30 or more years of work) and whose behavior has always been fairly good but whose capability and health are now highly unsuitable. Some may leave or retire early. In addition, a tiny minority of cadres who are of limited ability and who also have the negative characteristics of laziness and idleness, and who have been sent down from their posts, may be "suspended," letting them remain in a state of "awaiting employment" and drawing only a percentage of their salary. Doing this will definitely have a positive effect on maintaining the vitality and vigor of the cadre ranks as a whole.

Intellectuals Discuss Evolution of Democracy Movement

40050580 Hong Kong PAI HSING [THE PEOPLE] in Chinese No 193, 1 Jun 89 pp 17-19

[Second part of a series by Zhang Jiefeng 1728 4814 7685: "The New Direction of China's Democracy Movement—Comparing Student and Democracy Movements in the Past Decade or So" (continued from No 192, 16 May 89; published on p 5 in JPRS-CAR-89-094, 6 Sep 89)]

[Text] "Backstage Manipulator" Influences Movement With Ideology

Chen Ziming [7115 1311 2494]: The April 5th Movement was actually a combination of two social trends: one was old cadres and intellectuals including workers (old workers) who represented a strong force of criticism against the Cultural Revolution but considered the period before 1957—the first 10 years after the founding of the PRC—as their ideal model; the other was a group of people that grew continuously during youth movements carried out by young workers and educated youth after 1970, especially after Lin Biao lost power. This group of people were the vanguards of this movement. They demanded embodiment of the new, democratic, and modernized social trend of thought. One wanted

democratic reform, the other wanted restoration of old ways. Because of this, this movement could be called a joint effort of reformers and restorationists. Statistically speaking, if 1 million people were involved in the Tiananmen Incident, about 80 to 90 percent of them were restorationists and only 10 to 20 percent were reformers. A concentrated expression of the opinions of restorationists was the approval of Deng Xiaoping's program in 1975. The vanguard was a small number of people. The backbone of the movement was old cadres and workers and general government cadres. The so-called backstage manipulator—Deng Xiaoping, who was referred to as backstage boss—was ideological because 80 to 90 percent of the people supported him at the time.

Backstage manipulators can be found in all movements, but they always influence the movement with ideology instead of contacting or controlling it through any organization. At most, they can be called the cause of ideological temptation. Many of the few extremely brave people were young workers, educated youth, and school graduates who had gone to live and work in the countryside. Many educated youth who had gone to live and work in the countryside began to return to urban areas. Some were waiting for jobs and others had just started a new job. There were also some who were worker-peasant-soldier students who, in general, were not enthusiastic about revolution. A very small proportion of worker-peasant-soldier students participated in the movement. My status then was also worker-peasant-soldier student, which was equivalent to college student. The representatives of this type of people were few except for Zhou Weimin [0719 3634 3046] and myself. Zhou attended Qinghua University and I was with the Institute of Chemical Industry. Others did not have this status. Due to a lack of systematic training in modern culture, this 10 percent of people did not have a broad vision, and that was why their guiding ideology was different from today's. They failed to connect with the main stream of Western Civilization. They only touched its edge like Rousseau's contract theory and (?Gallus's) [0679 2139 2448] new class theory are different from what we call the mainstream of Western civilization. Because of this, these people had a strong sense of social responsibility and enthusiasm, but their theoretical basis was not very solid. It is very hard for anyone but ideological theoreticians to tell the difference between the two groups of people. But from big-character posters, underground propaganda materials, and poems and articles in the Tiananmen Incident one can indeed have an inkling of the ideology of reformers and understand that they really sought new ideas, not restoration.

Wang Juntao [3769 6511 3447]: They advocated equality based on the freedom of Marxism.

Chen Ziming: We were very sober at the time and knew that it won't be too long.

Everyone Was Disgusted With the Cultural Revolution

Wang Juntao: The first group of people felt that there was no way out. Seeing Zhou Enlai's death and Deng Xiaoping stepping down, they felt sad.

Chen Ziming: The second group of people were full of hope for revolution. Many of them were very excited and active. They saw where the new force was. The fact that 10 percent of the people in the April 5th Movement were pleasantly surprised shows that the popular will of the Chinese people still existed. During the era of Mao Zedong, there was no such thing as freedom of speech, not to mention freedom of publication and press. One becomes confident when he suddenly discovers that there are so many other people who think in the same way as he does.

Wang Juntao: An analysis shows that the 10-year Cultural Revolution Mao Zedong started attacked every social stratum and political group. In 1976 such attacks continued although there was not any group left. Finally, everybody became disgusted with the Great Cultural Revolution.

Chen Ziming: The social direction of the first movement was unclear. It was not clear whether it was restoration or reform. But the spearhead of both groups was clear—it was to negate the leading body and social system at that time because Deng Xiaoping had already stepped down, completely down in March. They wanted to completely negate the leading body still in power, including Mao Zedong, who was already considered a political mummy although he was not dead. Even veteran cadres wished him dead soon. Since this movement was a joint effort of two forces, it was very hard for them to have a common program. All they had was common enemies, but they were unclear about what road to follow after their enemies were gone.

Second Movement

Chen Ziming: The second movement was from the Wall of Democracy, which started in late 1978, to the end of the election in late 1980. The characteristic of this period of movement was that the main participants were intellectuals and young students who both supported and demanded reform. The result of this movement inevitably forced China to get on the road of reform. Many reform slogans were brought up between 1978 and 1980. Although not all of them were accepted, they made it impossible for China to take the road of restoration. China had no choice but to follow the road of reform. But this force was split. Intellectuals and students were divided, which could be seen from the Wall of Democracy and the two student groups running for election. Both groups demanded reform, but they were unclear about how to do it. Which should they carry out first—economic or political structural reform? Or should they carry them out simultaneously? The two groups had serious disagreements on such questions. But the force that wholeheartedly promoted the four modernizations

and wanted to carry out economic reform first dominated the situation. The fifth modernization as Wei Jingsheng [7614 0079 3932] called it and the force represented by the Wall of Democracy were, in fact, calls for political structural reform. Wei did not dominate the entire intellectual circle. He was just a concentrated expression of the Wall of Democracy and the election spirit.

However, the 1980 election was not fully accepted by China's intellectual circle. Although more than 80 percent of the college students accepted the election, there were two different ideas in the election: One wanted mainly economic structural reform; the other wanted economic and political structural reforms to be carried out simultaneously. The situation in Beijing University was very clear. Juntao and Hu Ping [5170 1627] wanted both, but Zhang Wei [1728 3555] and other comrades, who were considered moderates, wanted to carry out only economic structural reform because they were afraid that political structural reform might flush out or weaken the force of economic structural reforms. There was a gap between their ideological differences and the public. The public did not fully understand this movement at the time. When the leading body and the intellectual circle decided to carry out reform, the public was still wavering between restoration and reform. Before rural economic reform won a decisive victory and before the central government decided to carry out the urban economic reform in urban areas, the public was happy about everything, including the stability, relatively fast economic growth, and comparatively flourishing culture. Because of this, the public showed little concern about whether the reform should include political reform.

Since the people were content with the status quo, they were apathetic about the persecution of personnel involved in the Wall of Democracy. After Wei Jingsheng was convicted, very few from the intellectual circle, not to mention the public, stood up for him.

Later, almost all intellectuals involved in the election were subject to disciplinary actions, penalties, or restrictions of one kind or another. Society had more complaints about this situation. Take Hu Ping, for instance. Many intellectuals protected him, but they did not stop the persecution of other intellectuals involved in the election. The intellectual circle was also suspicious of those braver ones and criticized their theories. For instance, the theoretical discussion group was supposed to agree with the spirit of the Wall of Democracy, but the two had no connection between them. Moreover, there were some complaints against each other. The Wall of Democracy group thought that the theoretical discussion group was not sincere and had a dual personality. The theoretical discussion group was convinced that, had it not been for the trouble caused by the Wall of Democracy, which Deng Xiaoping had to suppress, the four basic principles would not have been promulgated. The two groups blamed each other at the time. Young intellectuals (the Wall of Democracy) and middle-aged and

old intellectuals (those attending the theoretical discussion meeting) did not understand each other. Even among young intellectuals, those who emphasized only economic structural reform and those who emphasized political structural reform did not understand each other. This was why they could not gain much sympathy from society after they were destroyed.

The Third Movement: 1985 and 1986

During this period, Deng Xiaoping's reputation indeed reached the peak during the period of the slogan, "Xiaoping, how are you?" in 1984. This was the stage when the reform became really irreversible in China and was accepted by all people and all cadres of major social strata. The people had great expectations of the reform as well as of Deng Xiaoping, who was then considered the new authority directed toward modernization.

Economic structural reform is bound to bring about some social instability, unfairness, discontent, and injustice, which are inevitable to the economic reform based on openness and revitalization. It was very clear in 1984 that economic reform could not be carried out alone for a prolonged period of time. At the time there were two views on how to solve this issue: One thought that the progress of socialist ideology could be used to make up these deficiencies; the other thought that political structural reform could be used to restrict the vitality unleashed by economic reform. In the leading stratum, those who advocated ideological progress got the upper hand. They failed to see the need to carry out political reform. The most sensitive were intellectuals and college students. The student strike in 1985 set a clear goal of demand for political reform, but it did not have a distinctive slogan, which became quite clear in 1986. In order to solve some problems that had arisen in the economic reform of 1985, Deng Xiaoping also tried to play the card of political structural reform, which was later changed to administrative reform because he thought that political reform might cause trouble. The intellectual circle seemed to be with him at first, but later it seemed to disagree. Deng Xiaoping began in March and April 1986 to talk about political structural reform. During the same period, Min Qi [7036 3823] began in February and March 1986 to prepare for a symposium. The earliest symposium on political structural reform in China was sponsored in April 1986 by the magazine ZHONGGUO SHEHUI KEXUE [CHINESE SOCIAL SCIENCES].

After Deng Xiaoping talked about political structural reform, Hu Yaobang's group also wanted it, and so did the intellectual circle.

A dividing line began to appear in 1985 between Hu Yaobang's and Deng Xiaoping's lines. Hu had his own group of people and lines. The theoretical discussion group did not give up all hope until Hu Yaobang stepped down. When he was in power, the theoretical discussion group volunteered to be his supporters. The intellectual circle was the mainstream in demanding for political

reform, but the public and party and government officials still could not straighten out their ideas. This was why citizens did not react to the government suppression of the student movement.

Students were rash vanguards at the time, but the intellectual circle failed to join hands with students because intellectuals had not become an aware social stratum. Some of them were in Hu Yaobang's think tank; others were in Zhao Ziyang's.

First, the stratum of intellectuals at that time had not become a united and independently inclined stratum. They were divided, on the one hand, and were strongly dependent on some political factions within the party, on the other. Second, the people had not reached a common understanding of political reform at that time. They thought that it was luxury to talk about political reform and that they could not possibly have any foresight. They would not stand up until they taste the bitterness. Without the support of the public and intellectuals, students drew back as soon as they were threatened.

Things have changed rapidly in the past 2 years. Distinctive changes have occurred among the public and intellectuals. The discontent of the public began to rise rapidly after 1986. One reason is that the issue of social unfairness had become acute. Before 1986, the public did not have much complaint about upstarts. They were not jealous because they thought that the latter must have taken a lot of risk to earn so much money. Now everyone saw that the government was unable to control and, even worse, that it was covering up for and protecting a handful of people who became rich by relying on illegal means instead of their labor.

The second reason is that the public felt that their living standards were beginning to drop and that the raises they had received in the past 10 years could not offset inflation.

The Emergence of Independent Intellectuals

The second change occurred between the symposium, which was held in the Beijing Hotel by XIN GUANCHANG [NEW OBSERVER] on 28 April 1988, and the petition recently signed by 33 people. It marks the emergence of Chinese intellectuals as a politically independent and confident social stratum.

At the meeting on 28 April, a group of people who used to be lukewarm toward the authorities and loyal to a faction within the government jointly announced rebellion. Yan Jiaqi [0917 1367 0366], for one, declared war on the "red pope" at the meeting. Many famous intellectuals jointly issued a declaration of war. This developed into action during the petition. Since Hu Yaobang stepped down and Zhao Ziyang offended many intellectuals, intellectuals had no one to depend on.

We may say that since the public has accumulated strong resentment and intellectuals have become an independent stratum in the past 2 years, students are not alone in

this upheaval. They are backed in ideology because in the past 2 years some people have systematically spread ideas on campus. They are backed in action because citizens now understand students and have sympathy for and expectations of them.

With this background, we predict that this student movement cannot be suppressed, because it is not only a student movement but also a social movement carried out by the whole people. The silent majority within the party has also played a role, making it impossible to carry out the decisions of the highest level. We understand that many major departments criticized Deng Xiaoping's speech as soon as they finished relaying it. Units from department to ministry levels all did the same. I attended a meeting of the United Front Work Department. Recently the United Front Work Department and its intellectual bureau held a total of seven meetings for intellectuals in different fields and for people in charge of united front work in different colleges. The results of the seven meetings were identical. They unanimously supported students and criticized the 26 April editorial. Attending the meetings were painters, artists, professors from different universities, and cadres of party and government organs. My basic judgment is that it is impossible to square accounts after the autumn harvest—wait until after the student movement to settle accounts with the leadership or the masses. A very good opportunity has been created. It is possible to make the whole society identify with the reform of political structure.

Wang: During the Tiananmen Incident, Mao's tricks had reached a dead end. During that period, Mao engaged in movements in the first 6 months and Zhou concentrated on production in the second 6 months. They switched back and forth constantly. In 1976, Zhou Enlai passed away and Deng Xiaoping stepped down. In the second half of 1976, the situation in China was very bad because China had carried out movements for the whole year. But the people supported Zhou and Deng. Very few supported Mao's movements. The significance of the Tiananmen Incident is that its scale and influence prepared for political developments in following years, including Deng Xiaoping's ascension to power, focused on economy, and redressing framed-up, false, and wrongful cases.

The Tiananmen Incident focused on human conflicts. Instead of using certain persons as their banners, the Wall of Democracy and the election explored the issue of what the country should do and used the models of ideology, theory, and country as banners. This showed a big step in progress.

The Legitimacy of the Party Was Not Considered

There were four forces contesting in the leading stratum. Hua Guofeng's "everything goes" group did not carry out movements or criticize people. It implemented a mild mobilizing system. Deng Xiaoping's limited reform

group advocated the "cat theory." Peng Zhen's restoration group called for a return to Stalin's model of 17 years earlier, which was what Chen Yun's planning system followed. Only those involved in the Wall of Democracy advocated political structural reform and the commodity economy.

Of these four forces, I think that only the Wall of Democracy had the direction of future development in China. Nevertheless, it was not easy to accomplish what Deng Xiaoping had accomplished, considering the balance of political powers at that time. So we should credit Deng Xiaoping for what he did. Hu Yaobang vacillated between the Wall of Democracy and Deng Xiaoping. Due to the decision of the party as a whole, he followed Deng Xiaoping. Since the people did not fully understand the detrimental effect of Deng Xiaoping's tricks, they thought he was all right. Hu Qiaomu, for instance, openly expressed that privileges were inevitable.

Wang: When the Law of Election came out, we considered mainly how to quickly form a central political system in China according to the democratic Constitution. We had a chance then because Mao Zedong's ideas were overthrown and no one knew what the new policy was. Things are different now because a general framework has been established. During Hua Guofeng's period, when the Central Advisory Commission did not exist and the Central Discipline Inspection Commission had just been established, some people considered the separation of three powers. They thought if we changed the Central Discipline Inspection Commission into the supervisory committee, then the supervisory committee, Advisory Commission, and Central Committee could check and balance each other as three independent powers. Various reforms were carried out in regard to the people's congress. Plurality election was adopted. It was first practiced in institutions of higher education and then spread to other areas. The Wall of Democracy and similar things were allowed to continue, and magazines run by the people were also allowed. Peng Zhen asked Hu Qili to talk to us and people in charge of the magazines FERTILE SOIL and THE SPRING OF BEIJING. China had a better chance then. More people introduced the principle of the Paris Commune, the Yugoslavian model, and the Hungarian system. The two main questions of popular discussion at the time were: 1) Why did such a counterrevolutionary clique as the gang of four and Lin Biao occur in China; and 2) Why could the emergence of a movement like "April 5th" still not end its political life? There were two conclusions at the time: one was political autocracy; the other, ideological superstition. Ideological superstition could be eliminated through ideological liberation, and China's political democratization could eliminate political autocracy. We were allowed then to make more overall plans for state structure. Now, basic principles and frame have already been set.

Of course we still can criticize the current system according to the principle of democratic constitutionalism.

Min: There is one issue which, I think, has never really been considered in democracy movements in the past decade or so. That is the legitimacy of the party. The discussion of this issue is limited to only a few intellectuals. Some people have indeed begun to doubt the permanent, undisputed ruling position of the Communist Party. This is a very important indication that political culture is changing in the direction of democracy and rationality. Our survey shows that most people think that there is no alternative regarding the ruling status of the Communist Party because no one else can compare with it. Some people think that since the Communist Party founded the country, it should rule the country. This may be considered as a source of legality, but not the genuine one. In 1984 when the people raised the banner of "How are you, Xiaoping?" Deng Xiaoping's reputation was at its peak. Since then, Deng's reputation has declined continuously, causing this source of legality to begin weakening. This demonstration displayed the banner of "support the Communist Party." I think this is not a strategy but a rational thinking. Similarly, our survey also shows that many people believe that only the Communist Party can lead China.

Only the Communist Party Can Stabilize Situation

The Communist Party in fact controls all administrative power in our country. The party and the government are not separated at all. The Army is totally controlled by the Communist Party. Until the Army is nationalized and the government hires civilian workers, the country cannot be controlled even if eight democratic parties and 280,000 party members jointly rule the government. If we think rationally, we will find that only the leadership of the Communist Party can stabilize the situation and that no other legal authority can replace the Communist Party. Supporters of the reform have realized that directing the spearhead to the Communist Party is extremely harmful to the reform.

Wang: Is the 1989 student movement limited to and exploring within a framework? Actually the issue of democracy does not lie here. Take England, for instance. The king has a certain relationship with Parliament, and Parliament has another relationship with political parties. This is different from the United States. China will have her own special style.

If we want the Communist Party to make room for the development of small parties and carry out the strong party system, it would take a very long time for this parliamentarianism to develop into a democratic system similar to that of the West. It would be better if we let the Communist Party maintain the status quo and develop clubs under it. In this way, the People's Congress will become a parliament and the parliament will fight to establish several clubs, which will mobilize society and seek social support. These clubs are actually the same as political parties. The Communist Party will become a weak monarch. This trend now exists in East Europe. The party's power is being gradually transferred to the

hands of the government, and the government is formed by experts and is accountable to the parliament. The party will be in charge of general orientation.

I think that there are generally three development models for China's multiparty system: The first one is that the Communist Party remains the sole ruling party, but adopts an open, legal, and standard process for intraparty struggles. The supervisory committee, the Central Committee and the Advisory Commission—the three powers within the superstructure of the party—will be separated to conduct checks and balances against each other. There will be one party in name and many parties in reality within the party. The second model is transferring the one-party system to the strong-party system and allowing small parties to replace the Communist Party. But there is no way that small parties can replace the ruling party, which controls at least all elite technical personnel. Small parties do not have experts in managing the state. But when they constitute a certain political menace, they will be persecuted by the strong party. Therefore, the political situation is not very stable under the second model. The third model is that the Communist Party gradually recedes and the parliament gradually develops new factions to form new parties. These new parties may not look like political parties, but according to the definition of Western constitutionalism, they are political parties. The Western concept of political party is different from that of China. Western political parties do not have strict discipline and control. It is possible that China may take the third road in development of political parties. In other words, it is not impossible to realize China's democratic constitutionalism within the current framework. We should not deny the significance of this fighting method.

Violence Cannot Solve Problems

Of course, this is up to the Communist Party. It has to approve the reform. If it does not, it may one day find itself broken up by the people. This movement is to put pressure on and to challenge the Communist Party. It has also given it a chance.

Min: In political concept, this student strike has presented an all-round divisive conflict. Previous student strikes all have had such an expression, but this time it is more comprehensive. It is manifested mainly in three areas:

1. Political trust. Student strikes used to be seen as fierce floods and savage beasts—great scourges. Now that people see that the sky does not cave in because of student strikes, they do not worry. They do not fear student strikes any more. Students have also realized that violence cannot solve problems. Since 1976, the ideological tendency toward violence, like the proposal of the second revolution, has always existed. In 1986, this tendency was still very serious. This time, students have finally realized that violence cannot solve problems and that democracy is a gradual process.

However, as far as political trust is concerned, conflicts are still very violent. The government still cannot get rid of old concepts and still considers the expression of opinions the same as revolts.

2. Awareness of the rules of political games. Do democratic politics need a structure for independent expression of and convergence of interests. The government denies such a need and asserts that the current political

structure is democratic. Students and intellectuals think that such a structure is needed. These ideas have caused great conflicts in the student strike.

3. The above issue of legitimacy.

If we can concentrate on these issues and do some work on these theories in the next stage, we can substantially enhance national democratic awareness.

FOREIGN TRADE, INVESTMENT

Officials Visit U.S., Europe for GATT Talks

*HK1109014289 Beijing CHINA DAILY in English
11 Sep 89 p 2*

[By staff reporter Wang Xiangwei]

[Text] Two Chinese trade officials arrived in Washington, DC, over the weekend to discuss with U.S. officials the possibilities and approaches for restarting the studies by a working party of the General Agreement on Tariffs and Trade (GATT) on China's status as a contracting member.

The two officials will also head for Brussels to discuss with European Economic Community officials the same issue, said Li Zhongzhou, division chief for GATT affairs under the Ministry of Foreign Economic Relations and Trade (MOFERT).

Li said the two MOFERT officials, one of whom is Tang Yufeng, deputy director of the MOFERT's Department of International Relations, will reaffirm to US and European officials China's determination to further open to the outside world, explain China's current political and economic situations, and promote mutual understanding on the country's desire to resume negotiations for rejoining this important world institution.

Li said that GATT's working party had been scheduled to meet in June to discuss China's re-entry into the GATT, including completion of the list of issues on the country's economic and trade system and finding solutions to those problems.

However, the meeting was postponed to an indefinite time because of the social unrest in China in early June.

Li said the officials would express to the United States and EEC the Chinese Government's hopes for resuming consultations on the country's re-entry to the GATT.

Li said he held great hopes on the resumption of the meeting of the GATT's working party on China's membership, probably in October or at least before the end of the year.

Li said since the social unrest in May and early June, many Western countries have placed a question mark on the issue of China's continuity of its open policy and economic reforms.

Li said the officials will probably tell the Western world that China's policy of opening up to the outside world will be carried out unswervingly, and that the statements made during the GATT meetings by Chinese officials are still honoured.

He said China is undertaking the rectification and clearing-up of the economic order in a bid to cool the overheated economy and curb inflation.

"This will slow down China's efforts on opening up to the outside world and economic reforms. But it does not mean that China's economy has come to a halt, let alone change," said Li, who is an expert on GATT affairs.

Li said that the rectification and clear-up will help China conform with the laws and regulations stipulated by the GATT.

He said the country's recent decision to rectify and screen some corporations has caused worries among some GATT members on China's efforts to deepen its economic reforms.

Li said that the campaign is aimed at clearing up past practices of the government interfering too much with the operations of enterprises, so as to create favourable conditions for further development of the commodity economy.

He said the state's efforts to abolish and merge some corporations which engaged in illegal activities will also help most Chinese corporations better honour contracts with foreign businesses.

He said the government is also taking concrete measures to quicken the drawing up of a corporation law in order to ensure the independence of enterprises.

Li said all these steps have been in conformity with the GATT regulations.

The GATT governs international trade for 96 member nations.

Exports from Hong Kong 'Surge'

*HK1209041989 Hong Kong HONGKONG STANDARD
(BUSINESS) in English 12 Sep 89 p 1*

[By Chito Santiago]

[Text] Hong Kong's domestic exports to China in the first seven months of this year remained strong, offsetting a downtrend noted for the United States.

Figures released yesterday by Census and Statistics show that total shipments to the mainland surged 26 percent to \$24.4 billion.

This more than offset the 1 percent decline to \$38.3 billion recorded for the United States, which remained the territory's largest single market.

Except for West Germany, which also recorded a 4 percent decline to \$8.7 billion, domestic exports to the rest of the major markets went up.

Notable increments were recorded for Japan with \$6.9 billion (up 23 percent), Taiwan \$2.2 billion (up 18 percent), Singapore \$3.2 billion (up 17 percent), and Canada \$3.6 billion (up 10 percent).

Total exports in January-July stood at \$315.7 billion, up 23 percent from the same 1988 period. The strong

growth was due mainly to robust re-exports, which jumped 36 percent to \$192.5 billion. Domestic exports accounted for \$123.2 billion, up 6 percent.

Imports, on the other hand, rose 22 percent to \$325.3 billion over the same period.

In July alone, disruptions to Hong Kong trade following the June events in China appeared minimal. Domestic exports to China rose 16 percent to \$3.9 billion.

Shipments to the United States increased 3 percent to more than \$7 billion, the same growth rate registered in June.

Three markets, though, slackened in July. Domestic exports to West Germany dropped 4 percent to \$1.6 billion, while those to Britain plunged 12 percent to \$1.4 billion. Intake by the Netherlands slipped 7 percent to \$463 million.

In terms of commodity groups, articles of apparel and clothing accessories were the biggest earners during the seven-month period with \$37.5 billion, up 7 percent.

Miscellaneous manufactured articles (mainly baby carriages, toys, games and sporting goods) contributed \$15.7 billion (down 2 percent).

Revenues from electrical machinery, apparatus and appliances, and associated electrical parts amounted to \$10.2 billion (up 5 percent).

In terms of re-exports, shipments to all major markets went up. China remained as the leading destination with \$61.5 billion (up 30 percent), followed by the United States with almost \$37 billion (up 48 percent), Japan \$12.2 billion (up 38 percent), and Taiwan \$9.5 billion (up 24 percent).

China, likewise, continued to be Hong Kong's leading supplier in the first seven months of this year, with imports amounting to \$106.9 billion, up 33 percent.

Japan came in second with \$56.4 billion (up 14 percent), followed by Taiwan, \$29.8 billion (up 26 percent); the United States, \$27 billion (up 17 percent); and South Korea, \$16 billion (up 15 percent).

Letter Reveals 'Declining' Foreign Trade Reputation

SK1309045989 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 12 Sep 89

[Text] Today's 71st radio mailbox program carries the letter from our reporter (He Quan), saying that some foreign trade enterprises and goods supply units in our province have refused to earnestly honor export contracts, and the quality of some exports has declined, thus leading to a drop in the province's foreign trade reputation.

The letter states: In the first 8 months of this year, the province honored only 77 percent of spot-exchange

export contracts, a decline of 6.7 percentage points from the corresponding period of last year. Some enterprises put off the goods delivery deadline, or delivered goods in short amount. In addition, in the first half of this year, 166 varieties of exports were found substandard by commodity inspection departments, accounting for one-fifth of the total. In particular, the quality of canned food exported to the Soviet Union dropped remarkably, thus leading to frequent breaches of contracts. From last year to the first half of this year, at the Suifenhe Port, 56 out of the 202 trucks of canned food exported to the Soviet Union were found to be substandard after being jointly inspected by the commodity inspectors of the Soviet Union and our country. The major reasons for the drop in the quality of some exports and in the contract honoring rate are: Some enterprises that have concentrated on their own economic efficiency but not on the quality of their products, have organized production and acceptance tests for exports in violation of the standards stipulated by contracts, and have practiced fraudulence to avoid inspection. Worse still, a few units have mixed up good and inferior products and presented substandard products as good ones. Some foreign trade enterprises and exports production enterprises have not been serious and realistic in signing contracts, thus being unable to ensure the supply of goods, or to deliver goods in a hurry. Some other exports production enterprises are backward in technological equipment and low in expertise; thus, it is difficult for them to catch up with the international quality inspection demands.

The letter urges: It is extremely urgent for us to overcome the declining quality of exports and the declining rate in honoring export contracts. Pertinent departments should establish and improve necessary regulations and systems to strengthen the cooperations between respective departments and should also resolutely punish and deal with various kinds of duty dereliction in order to actually maintain our reputation in foreign trade.

Silk Industry Faces Increased Foreign Competition

HK1109024289 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 11 Sep 89 p 4

[Text] Increasingly sharp competition on the world silk market is challenging the age-old silk industry in China, spurring the country to take efforts to maintain its high ranking in the business.

Although China still provides a large portion of the world's silk products, other silk-producing countries, including India, Thailand and Brazil, are gaining in silk output. Li Shijuan, deputy-director of the production department under the Ministry of Textile Industry, told BUSINESS WEEKLY.

India's growth is the fastest. Its silk output outdid Japan's, reaching 9,500 tons in 1988, 10 percent more than the previous year. That made it the world's second-largest silk producer after China.

Thailand's silk production is growing at the rate of 25 per cent a year. Brazil produced 1,700 tons of silk last year and is expected to increase its output by 10 percent this year.

Li called for improved management in silk production.

At present, the ministries of textiles, agriculture, commerce and foreign trade all have a say in silk production. Li noted, complaining that each of those departments is mainly concerned with its own profits, and that in turn often causes disorder in the industry.

Some experts have called for the establishment of a silk management bureau or silk co-ordination group to end the disorder in management and to guarantee the development of the industry, Li said.

Another concern is that raw silk production is lagging behind the silk processing industry. That has hindered production growth, Li said.

The industry also needs to stress the development of new fabric designs and patterns, Li said.

Last year, China provided about 90 percent of the raw silk but only 5 percent of garments and clothes on the world market.

A long history and huge production forces in the silks industry so far have given China the competitive edge in the world silk market. The country has 885 silk enterprises scattered all over the country, except for Qinghai Province and Ningxia and Tibet autonomous regions.

The industry has fixed assets of 5.5 billion yuan, 1.8 million reeling machines and an annual production capacity of 2 billion metres of fabric.

The total cocoon output in 1988 topped 44,000 tons, or 11.8 times that of 1949; and the output value of the national silk industry exceeded 9.3 billion yuan last year, 51 times that of 30 years ago.

The industry used to be mainly concentrated in coastal cities and provinces like Shanghai, Jiangsu, Zhejiang and Liaoning. Now more silk reeling mills, weaving and spinning mills, and dyeing and printing factories have emerged both on the coast and in the interior.

Raw silk produced in Jiangsu, Zhejiang and Sichuan provinces is especially good and has a high reputation worldwide, while Shanghai, Jiangsu, Zhejiang, Shandong and Liaoning provinces are producers of high-quality silk fabric that appeal to consumers both at home and abroad.

In addition to its eight design institutes, China has set up six silk research institutes, two silk industry colleges and many professional schools to advance silk industry research.

The China Fashionable Colour Association, founded in 1985, annually publishes the fashionable colours for the next season to guide silk production across the country.

The China Silk Scientific Information Institute in Zhejiang Province, has for years collected information and trends in silk production, research and overseas markets.

Twelve key silk production bases have been developed in the cities of Shanghai, Tianjin, Suzhou, Wuxi, Hangzhou, Jiaxing, Huzhou, Zibo, Foshan, Nanchong, Chongqing and Dandong.

The output value of the 12 bases accounts for 54.8 per cent of the nation's silk industry; their silk output is 40.8 per cent of the nation's total and the silk export volume is 63.3 per cent.

Efforts have also been made to improve technology. In the past 5 years, 2.6 billion yuan was spent to renovate silk-producing equipment.

Li said that the world's most advanced silk-producing equipment can be found in China, such as nonshuttle weaving machines, automatic printing machines and finishing equipment.

Shaanxi Exports Develop 'Steadily'

*OW'1009145689 Beijing XINHUA in English
1320 GMT 10 Sep 89*

[Text] Xian, September 10 (XINHUA)—The foreign trade earnings of northwest China's Shaanxi Province in the first 8 months was \$250 million, an increase of 9 percent over the same period last year.

The inland location of the province has hampered its economic development, including foreign trade; however, since 1985 when the province was officially granted the right to conduct direct foreign trade, its export trade has developed steadily.

Last year, about \$360 million were earned by the province on exports such as machinery, electrical goods, textiles, and mineral products. Its target this year is \$400 million according to a local official.

Shanghai's Exports Rise After 'Sharp Fall'

*OW'1109234389 Beijing XINHUA in English
1417 GMT 11 Sep 89*

[Text] Shanghai, September 11 (XINHUA)—Exports from Shanghai, China's biggest industrial city, have started to rise again after a sharp fall early this year.

By the end of August, the city's export volume had reached a worth of \$3.09 billion, almost equal to that of the same period of last year, according to statistics issued by the Shanghai Municipal Commission of Foreign Economic Relations and Trade.

Meanwhile, the city's situation in concluding export transactions and in purchasing commodities for export has also turned for the better, the commission said.

Because of the sharp drop in the export of textile products, including fabrics, knitwear, garments and

silk—which usually account for more than 40 percent of Shanghai's exports—the city's total exports kept falling in the first four months of this year.

Since May, the municipal government has made great efforts to solve problems in exports, which include shortage of funds, energy and raw materials for the production of commodities for export.

In May the city's export volume registered \$350 million. In August, moreover, it rose to \$430 million, 10 percent more than in the same period of last year.

It is expected that the city's total export volume will reach \$5 billion this year, a little more than last year.

Shanghai Attracts Foreign Investment

OW0809155389 Beijing XINHUA in English
0933 GMT 8 Sep 89

[Text] Shanghai, September 8 (XINHUA)—Shanghai, China's leading industrial center, approved 13 foreign-funded projects and absorbed \$15.93 million in foreign investment last month, a 12 percent rise compared with July.

Of the projects, ten involve industry, two are for raising sheepdogs and pets, and one for making animated films.

According to the municipal Commission of Foreign Economic Relations and Trade, the city approved a total of 160 foreign-funded projects in the first 8 months of this year, involving \$280 million, up 62 percent and 17 percent, respectively, over the same period of last year.

It is learned that the proportion of foreign-funded industrial projects in the first 8 months accounted for 86 percent of the total investment projects in Shanghai.

Of 14 countries and regions making investments here between January and August, Singapore ranked first, and Hong Kong second.

By the end of last month, Shanghai had absorbed a total of \$3.1 billion in foreign investment, according to the commission.

Shenyang's Export Volume 'Grows Steadily'

OW1409182589 Beijing XINHUA in English
1217 GMT 14 Sep 89

[Text] Shenyang, September 14 (XINHUA)—Shenyang, capital of northeast China's Liaoning Province, has become an important export base.

According to Liang Shuangbin, director of the Shenyang Municipal Foreign Economic Relations and Trade Commission, in the first 8 months this year, Shenyang exported \$149.1 million worth of goods, up 31 percent over the same period last year.

Since it was granted decisionmaking powers by the State Council in 1984, the city's export volume has grown

steadily, Liang said. The city earned \$20.59 million in foreign exchange in 1985. The figure climbed to \$173.71 million in 1988, an average increase of 249 percent per year.

The city has established 45 special export factories and it has 35 enterprises and export bases with decision making powers in foreign trade.

To ensure supply sources for exports, the municipal government has invested 50 million yuan to set up 100 regional affiliates.

Manufactured goods now account for 80 percent of total export volume. Before 1979 the figure was 50 percent.

Technology exports have also developed rapidly. In the first 8 months this year, Shenyang signed 11 technology export contracts totaling \$6.08 million, 2.76 times over the corresponding period in 1988.

Zhejiang's Foreign Investment 'Increases'

OW0809051289 Hangzhou Zhejiang Provincial Service
in Mandarin 0900 GMT 25 Aug 89

[From "Provincial Hookup" program]

[Text] In the first 7 months of this year, the province approved a total of 114 foreign-funded enterprises and absorbed \$56.02 million in foreign capital, up 130 percent and 48.1 percent, respectively, from the corresponding period last year.

Three encouraging developments took place this year. First, the investment by Taiwan compatriots increased. By the end of June, Taiwan compatriots invested \$750,000 in the province, 4 times their total investment last year. Second, the investment structure was markedly improved. In the first half of this year, 9 industrial projects in all were approved, with a total foreign investment of \$40.72 million, which translated to 92 percent and 83 percent of their respective totals. Third, operations in general were very good. By the end of June, 113 of the 145 operational enterprises showed profits, with a total foreign exchange revenue of \$38.62 million.

ECONOMIC ZONES

Nantong Approves More Joint Ventures

OW1608212289 Beijing XINHUA in English
0722 GMT 16 Aug 89

[Text] Nanjing, August 16 (XINHUA)—The government of Nantong, a coastal city open to foreign investors on the Yangtze River delta, approved 12 new Sino-foreign joint ventures in the first half of this year, bringing the total number of foreign-funded enterprises in the city to 72.

These enterprises involve a total of \$57 million in investment, said a local government official.

All the newly-approved enterprises are production ones, and 11 are export-oriented. Eight joint ventures were approved after China cracked down on the anti-government uprising in Beijing in June.

Foreign investors have begun to pay more attention to township-run enterprises, which have been showing great vitality in recent years. To date, 36 local township enterprises are operating with foreign investment.

Meanwhile, some foreign-funded enterprises which were running at a loss have started to make profits. The Nantong Huafeng Corporation, the first Sino-foreign joint venture in the city, incurred losses three years running, but in the first half of this year it earned 200,000 yuan in profits after paying one million yuan in taxes.

According to recent statistics, 19 export-oriented enterprises have shown a combined export value of over \$12 million this year, 57 percent up from the same period last year.

Policies on Special Economic Zones Studied

*HK1009022289 Hong Kong WEN WEI PO in Chinese
10 Sep 89 p 1*

[Reporter Lin Yu-tung: "Beijing Now Studying Policies for Making Special Economic Zones Still More Open"]

[Text] Shenzhen, 9 Sep—Shenzhen City CPC Committee Deputy Secretary Qin Wenjun and Vice Mayor Zhou Xiwu revealed when recently interviewed by our paper that the central authorities are currently studying how to make the special economic zones still more open.

Qin Wenjun said that Mayor Li Hao is currently engaged in investigations and visits in northeast China. When passing through Beijing, he reported on work to the central authorities. We will have to wait until the mayor returns before we know what specific new policy measures the central authorities will adopt for the special economic zones. However, Qin said that the central authorities are currently studying how to give further scope to the role of these zones, and the zones will be further opened up on their existing basis.

Vice Mayor Zhou Xiwu mentioned that the central departments concerned have dispatched personnel to carry out studies in Shenzhen, and still more open policies will be adopted within the scope of possibilities. These policies will in general include the questions of opening up the first line, managing the second line well, what currency to use in the special zones, and so on.

Special Economic Zones Undergo 'Great Changes'

*OW1109231889 Beijing XINHUA in English
1354 GMT 11 Sep 89*

[Text] Beijing, September 11 (XINHUA)—Great changes have taken place in China's special economic zones in the last decade, according to today's WORKERS' DAILY.

China now has five special economic zones (SEZ)—Shenzhen, Zhuhai and Shantou in Guangdong Province, Xiamen in Fujian Province, and Hainan Island. The first four were established in 1979, and Hainan was designated as a SEZ in 1988.

The four special economic zones—Shenzhen, Zhuhai, Shantou and Xiamen have built two medium-sized airports and two heliports, wharfs with a combined handling capacity of ten million tons and electric power plants with a combined capacity of 800,000 kw, the paper said.

By the end of last year, the four special economic zones had signed contracts to set up over 3,300 Sino-foreign joint ventures. About 2,579 of them have gone into operation. Exports of the four zones last year totaled \$2.8 billion.

Meanwhile, Hainan, the new SEZ with rich resources will become a new base to attract foreign investment, enlarge foreign trade, introduce advanced technology and build an export-orientated economy, the paper noted.

LABOR

Income of Population During Past Ten Years

*40060696 Beijing JINGJI YANJIU in Chinese
No 5, 20 May 89 pp 61-68*

[Article by Wang Zhihua 7115 1807 5478 of Economics Faculty, Shanghai Fudan University, revised in January 1989: "Growth and Structural Changes in the Income of the Chinese Population in the Past Ten Years"]

[Text] From a review of China's reform in the past decade, we can see that all structural changes always involved various interests of the social community and individuals, so that the income of people at various social strata was changed and readjusted. As a result, people's behavior and transmission mechanisms, which were guided by the distribution of income, were changed. The ultimate results of our economic operations, such as the composition of consumption by nationals, composition of industries and so on were of course changed. Obviously, this chain of changes in "system—interests—behavior—results" should be a basic hint for our theoretical study on socialist economic operations. This article attempts to describe longterm dynamic changes in the distribution of income among China's residents, and endeavors to examine the course of historical changes in the past decade, by making reference to the current macroeconomic statistic data.

I. Super-static State Backed by Low Income: Basic Characteristics of Income Distribution Structure Under the Traditional System

Under China's traditional system, its income distribution structure for residents was a typical super-static structure—income of residents, be they rural residents or

urban workers, static at a certain datum point and allowed to fluctuate on such point. The minimum critical value was guaranteed and coordinated by the state so that every resident would obtain his basic means of livelihood. Likewise, the maximum critical value was set by the state so that a person faces restrictions in turning his monetary income into private accumulation and self-controlling multiplied wealth. Such super-static state of affairs in the structure of income distribution for residents has prominently brought about the following aspects: First, the level of monetary income available to each person was kept constant for a long time. Between 1952 and 1978, such level of income available to China's residents fluctuated within the range of 50 to 150 yuan. Second, the level of monetary income among residents has been equal for a long time. It is calculated that China's average Gini coefficient was 0.33, in which that of cities was 0.16. In the same year, such coefficient among some developing countries was generally more than 0.40.¹ Generally, Gini coefficient or Lorenz curve only reflects the extent of equality in terms of nominal monetary income earned by residents, rather than the non-monetary one distributed in the form of payment in kind whose extent of equality is greater.

The static state of affairs expressed by monetary income available to residents is in line with the ideal of communists of the early days, and conforms to the goals of designers of the traditional system of socialism. After China completed the socialist transformation of ownership concerning means of production in the 1950's, the government always took prevention against capitalist restoration as its prime task in order to guarantee the role of absolute ruling by public ownership. Through various policies and decrees it banned individuals from turning their monetary income into private capital. Our experience has shown that as long as we strictly control the income distribution of residents, we can maintain long-term stability in the centralized system. This is because, first, it was just the longterm equalitarian state of low income among residents that effectively prevented residents from practicing polarization in distribution of monetary income, and get rid of all elements that helped individual residents turn their monetary income into private capital, thereby ensuring a long-term static economic operations owned by the public under the highly centralized planned system of socialism. Second, a long-term static wages of workers and net income earned by peasants conformed to a static price level and interest rates and so on. As the state controlled the income distribution among residents, it actually controlled the purchasing power of money in consumer goods markets. Inevitably, prices of consumer goods faced the same situation as residents' income and remained unchanged. Third, the equalitarian state of low income left no investment choice for individual residents, so that most of the residents' monetary income was turned into consumption funds. Though a small portion of such monetary income was turned into savings, such type of savings, in fact, only postponed consumption by the residents at a later date instead of

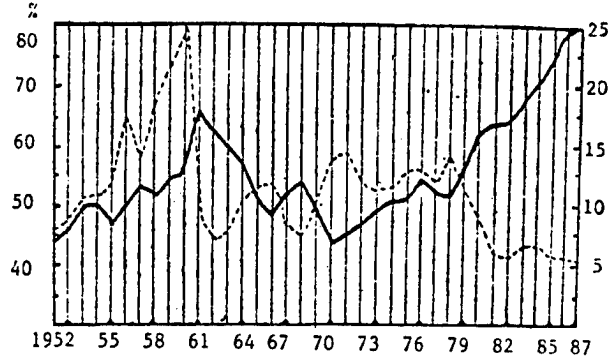
playing the role of accumulation (this is because all investment funds were allocated by the state). Therefore, during the times when China practiced highly centralized planning management, residents often showed on average an extremely high consumption, as well as an extremely low savings (statistics indicated that during the 27 years between 1952 and 1978, China's savings among residents normally only accounted for one to two percent of total monetary income available for expenditure.² Besides, the super-static equalitarian state of low income left no occupational choice for a resident. Laborers were confined for the rest of their lives to a limited numbers of occupations. Furthermore, this super-static structure conformed to the overall situation of having a long-term closed-door national economy.

In short, the super-static structure of residents' income maintained by low income strengthened and consolidated the highly centralized planning system of socialism. In return, the centralized planning system also supported and maintained such structure in terms of production, circulation, distribution, consumption and so on, and in such aspects as government, enterprises, and behavioral norms of individuals. This thus formed a cycle: The equalitarian state of low income brought about an inefficient national economy as a whole (this is because there were no economic incentives in distribution of income to residents). In return, such inefficient national economy inevitably brought about a general shortage of commodities, which eventually put more pressure on adopting a low level and equalitarianism in planned distribution. Thus, we can see that high accumulation and inefficiency in the national economy, which existed for a long time, was based on the static low income and equalitarianism in the national economy as a whole.

To maintain the level of monetary income available to residents around a static critical value for a long time was related to periodical expansion and austerity of the scale of capital investment by the financial department of the state. This point may be proved by the two dynamic curves indicated in Diagram 1 (these two curves described a series of longterm dynamic statistics figures indicating changes in China in the proportion of aggregated monetary income available to residents to its gross revenue in the national economy between 1952 and 1987, as well as changes in China in the proportion of investment sums in China's budgets to its gross revenue in the national economy during the same period). [see Diagram 1]

From Diagram 1, we can see there were four major and three minor changes in investment sums in China's budgets between 1952 and 1978, or a periodical expansion/ or austerity took place about every five years—the peak values of the four major changes took place in 1960, 1966, 1971 and 1979; whereas those of the three minor changes took place in 1956, 1975 and 1984. Corresponding to these peak periods were precise valleys of the curve indicating residents' income (except for the

Diagram 1: Proportions of Residents' Monetary Income and Budgetary Investment to China's National Economic Revenue Between 1952 and 1987



Source: *China's Statistics Yearbook of 1986, 1987, and 1988*

- Curve indicating changes in the proportion of aggregated monetary income available to residents to the national economic revenue (range of changes: 40-80 percent)
- Curve indicating changes in the proportion of gross budgetary investment of the national economic revenue (range of changes: 5-25 percent)

peak period in 1984). Likewise, all valleys of the investment curve were marked by peak values of residents' income which was increasing. Those intersection points marked by black arrows in the diagram indicate a positive-negative deviation coordination between budgetary distribution by the state's financial department and opposite changes in income distribution among residents.

We can see from the above paragraph that the periodical expansion drive of budgetary investment, followed by austerity readjustment, was a completely normal operation focusing on the super-static state of low income among residents. It was just these periodical changes in budgetary investment that they worked as an internal stabilizer maintaining a long-term super-static distribution of income among residents under traditional system—when the national income dropped and the development was deviated from the planned direction, residents' income and its structure remained steady because of austerity of budgetary investment, and a relative increase in the proportion of residents' income. Likewise, when the national income grew and yielded a surplus, the scale of budgetary investment undoubtedly rapidly expanded, thereby forming a need for deviation coordination in the opposite direction, which eventually maintained a steady residents' income and structure.

However, we can also realize from Diagram 1 that after the last intersection point was formed in the 1978-1979 period, the proportion of budgetary investment to the national income entered into a horn-shaped state of dispersion when compared to the proportion of resident's income. The two no longer scaled down and intersected. This indicated that an originally powerful function of

budget of internal stability began deteriorating after 1978. It no longer continued to maintain a super-static level in residents' income, prices and interest rates as it was before. Beginning with 1981, the proportion of budgetary investment was only 5 to 7 percent of the national income during that year; whereas the proportion of monetary income earned by individual residents increased from 52 percent in 1978 to 79 percent of the national income in 1986. Such major change in the composition of proportions of the national economy was not caused by a drop in the absolute value of budgetary investment funds (the total amount of budgetary investment was increased from 25.2 billion yuan in 1981 to 47.6 billion yuan in 1987, or at an annual growth rate as high as 11 percent). Instead, it was caused by a sharp increase of absolute value of residents' monetary income. This indicated the disintegration of China's long-term super-static distribution of income among residents, and that the government faces great difficulties in controlling the aggregated amount at the present stage. The economic process of austerity in 1988 indicated that in order to maintain stability in the macroeconomic operations as a whole, the government cannot but restore administrative austerity measures similar to those under the old financial system, which was of course followed by a considerable extent of restoration of the old system.

II. Macroeconomic Criteria of Commodity Monetization: Proportions of Residents' Monetary Income and Nonmonetary One

The gross income of residents includes two major parts, monetary income and non-monetary one, which is a distinctive economic phenomenon under the socialist economic operations. In Western developed capitalist countries, income of residents, be it income derived from operations or in the nature of social welfare, generally takes the monetary form. However, the income of all socialist countries at the preliminary stage of socialism contains more or less residents' nonmonetary income.

Proceeding from the process of dynamic evolution, the lower level was productive force development and social division of labor, the larger portion of nonmonetary income in residents' gross income. Similarly, the higher level was centralization of national economic planning management, the greater share of nonmonetary income in residents' gross income. Therefore, proceeding from the longterm development trend of socialist countries, the share of nonmonetary income in residents' gross income is decreasing because of continuous improvement in the productive force development and social division of labor, and gradual replacement of the highly centralized management system of planning. This tendency was very obvious during the decade of reform of China's economy. It was exactly from this proved point of view that the changes in the proportions of monetary income and non-monetary one to residents' gross income may be taken as one of the macroeconomic criteria for judging the extent of commodity monetization and market development in the course of reforms and national economic development in socialist countries.

Chinese resident's nonmonetary income includes non-monetary income (such as grains) of rural residents and non-monetary income in the nature of social welfare received by urban residents. According to the 1978-1987 sample survey data on income and expenditure of China's peasant families collected by the State Statistics Bureau, we may roughly calculate dynamic statistic

figures about the proportions of monetary income and nonmonetary one to the gross annual income of each peasant.³ By using statistic data such as the total consumption amount of residents, we may roughly calculate dynamic statistic figures about the proportions of monetary income and nonmonetary one to the gross annual income of each urban resident.⁴ (See Table 1)

Table 1. Proportions of Monetary Income and Non-monetary Income of Chinese Residents Between 1978 and 1986

Year	Monetary Income of Chinese Residents				Converted Non-monetary Income of Chinese Residents		Proportions of Monetary Income and Non-monetary Income of Chinese Residents		
					Nonmonetary welfare for urban residents	Payment in Kind Received by Rural Residents for Self-Support			
	Total (billion yuan)	Per capita (yuan)	Total (billion yuan)	Per capita yuan	Total (billion yuan)	Per Urban Resident (yuan)	Total (billion yuan)	Per Rural Resident (yuan)	(take non-monetary income as 1)
1978	157.3	163	100.5	104	46.8	271	53.7	68	1.57:1
1979	187.7	192	108.5	111	50.8	275	57.7	73*	1.73:1
1980	228.4	231	113.2	115	51.1	267	62.1	78	2.02:1
1981	250.2	250	121.5	121	26.0	278	65.5	82	2.06:1
1982	274.5	270	135.4	133	60.6	287	74.8	90*	2.03:1
1983	311.9	304	143.2	140	64.8	269	78.4	100	2.18:1
1984	394.1	381	142.5	138	64.3	195	78.2	111	2.77:1
1985	513.6	491	144.0	138	62.5	163	81.5	123	3.57:1
1986	617.4	584	139.4	132	59.5	136	79.9	129	4.43:1
1987	681.7	630	132.6	123	55.3	110	77.3	134	5.14:1

Notes:

1. Statistic figures listed in Table 1 are calculated according to prices of those years.

2. The residents' gross monetary income refers to all individual monetary income of urban and rural residents in a particular year after the reduction of (1) productive monetary expenses relating to individual operations by residents; (2) funds retained by collectives payable to peasant families; (3) taxes paid by individual residents to the state; and (4) residents' monetary income in credit nature.

3. As China readjusted the standards of township construction and a number of townships were built after 1984, China's urban population had sharply increased since 1984 so that, to a certain extent, the per capita values calculated on the basis of urban and rural population were affected.

4. Figures marked with an "*" are estimated figures. This is because through estimation on the basis of average annual growth rate of payment in kind received

by rural residents for self-support, which was 7.8 percent, in the sample data, the per capita values of 1979 and 1982, which were missing in China's statistics year-book, was respectively 73 yuan and 88 yuan.

Source: "China's Statistics Yearbook" of 1986, 1987 and 1988.

From Table 1, we can see that:

1. The proportions of monetary income and nonmonetary one received by China's residents changed drastically during the past ten years, from 1.57:1 in 1978 to 5.14:1 in 1987. It may be said that this is an unprecedented big step forward taken by China's economy. This included an increase in the proportion of monetary income to the gross income of peasants, from 49 percent in 1978 to more than 71 percent in 1987.⁵ This indicated that China's long-standing, closed super-static rural structure was disintegrating, and the market was growing. The same event also took place in urban areas, in which the proportion of nonmonetary income in the nature of welfare received by China's urban residents to their gross income dropped respectively from 36 percent

to 9.8 percent between 1981 and 1987, or at an annual rate of 4.5 percent. Such percentage for 1984 dropped by 9 percent.⁶ The drop took place mainly because of two reasons. First, the growth of per capita monetary income of urban residents caused the corresponding proportion of their nonmonetary income to drop. Second, the government gradually converted the nonmonetary welfare into monetary subsidies in the course of reforming, that is, the change of indirect subsidies into direct ones. Therefore, judging from the dynamic statistic figures listed in Table 1, one can see that between 1978 and 1982, the proportions of monetary income and nonmonetary one received by urban residents saw a directional change (that is, the monetary income and nonmonetary one experienced a simultaneous growth, only that the absolute growth rate of monetary income was greater than the other). The proportions saw a bi-directional change beginning in 1983 (that is, the absolute growth of monetary income and the absolute reduction of nonmonetary income moved in the opposite direction). Obviously, this bi-directional change sped up changes in the structure.

2. Though China has carried out economic reforms for a decade, the proportion of its economic element of self-reliance in the rural areas was still very high (about one-third of peasants' gross income). Besides, its speed of structural changes in the mid-1980's was obviously slower than that in the early 1980's. For instance, during the period between 1978 and 1982, the proportion of non-monetary payment in kind received by peasants to their gross annual income dropped from 51 percent to 32 percent, or at an annual rate of about 4 percent. But the percentage dropped from 32 to 29 only, or at an annual rate of less than one percent, during the five-year period between 1983 and 1987.⁷ Thus, we can see that the speed of structural changes in the rural areas are slowed down, and the super-static state is yet to be eliminated. The fact that structural changes in the income of peasant residents has entered a stagnant and ossified state objectively reflects the sluggish state of China's current composition of rural products, as well as consumption structure of peasants. This will become a key obstacle in China's further reforms in the 1990's.

III. Historical Changes in the Structures of Monetary Income Available To China's Residents

The monetary income available to China's residents may generally be divided into four aspects: (1) generalized wages of workers of state-owned units and collective units (the so-called generalized wages include various forms of wages, bonus, allowances, labor insurance and welfare of workers, payments made to retired personnel, and so on, but not wages paid by village enterprises in rural areas); (2) various net income of peasants, including income derived from the sale of agricultural and sideline products to the state, that derived from the sale of products to nonagricultural residents, labor income, income from family operations, and wages, rewards bonus and other income of workers of village enterprises; (3) subsidies granted to residents by the state

(these refer only to direct subsidies); (4) monetary income of residents other than the ones mentioned above (such as net income of individual business operators in urban areas, savings deposits of individual residents and interests on bonds, and wages of workers working in joint ventures such as foreign-invested enterprises, payments and other additional income for work done by scientific and research personnel and writers, income obtained by individuals from overseas sources, and so forth). These aspects form the sources of monetary income available to China's residents at the present socialist stage.

According to actual statistic data, the pattern of sources of income available to China's residents in our reforms over the past decade indicated three major dynamic development trends:

1. Though the total amount of generalized wages of workers working in state-owned units was increased from 6.75 billion yuan in 1952 to 145.93 billion yuan in 1987, or its absolute quantity was increased by 20 times, or at an average annual growth rate of 9 percent (in which the average annual growth rate between 1978 and 1986 was 14 percent), its proportion to the gross monetary income available to China's residents had constantly dropped ever since the mid-1960's. In other words, its proportion dropped from the peak value of 36 percent (in 1961) to 21 percent (in 1987), or dropped by 15 percent.⁸

2. Since the mid-1960's, the proportion of monetary income available to China's rural residents to the gross monetary income of China's residents has been on the increase, rising from the bottom value of 34 percent in 1961 to 51 percent in 1987, or increased by 17 percent. A particular feature of this phenomenon was that the growth rate of monetary income of peasant laborers (including wages of peasants working in village enterprises) was the sharpest one, from 630 million yuan in 1952 to 63 billion yuan in 1987, an exact increase of 100 times over the former.⁹

3. Since the mid-1970's, other monetary income earned by China's residents from the non-public economy (that is, the above mentioned four sources of monetary income of China's residents), be it absolute volume or the proportion to the gross monetary income of China's residents, has been on the increase. Its absolute volume was increased from 3.85 billion yuan in 1952 to 144.85 billion yuan in 1987, or by 37 times. Its average annual growth rate was 11 percent (including an average annual growth rate of 23 percent between 1978 and 1987). Its aggregated volume was about that of generalized wages of workers working in state-owned units. Its proportion

to the gross monetary income available to China's residents was increased from the bottom value of 9.7 percent in 1965 to 21 percent in 1987.¹⁰

In fact, the above three trends and tendencies emerged as early as in the mid-1960's when its changes were very slow. Obviously, our reforms over the past decade have sped up the diversification and spread of sources of monetary income of China's residents, that is, the proportion of monetary income under the centralized distribution by the state-owned economy was reducing, while that of fixed income derived from the public economy was increasing.

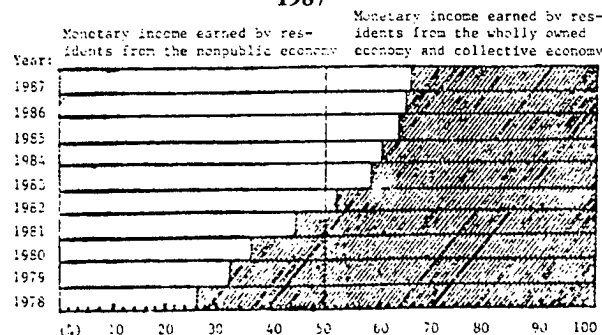
The diversification and spread of sources of monetary income available to residents may also be further proved by more profound changes in the internal composition of total wages earned by urban workers, as well as that of net income of peasants. First, reforms over the past decade brought about remarkable changes in the proportion of fixed wages earned by workers, which were centralized and graded by the state, compared to their gross income, dropped from 85 percent in 1978 to 54.3 percent in 1987; and in the proportion of bonus, wages of extra-quota piece work, subsidies and welfare, and others increased from 15 percent to 45.7 percent.¹¹ It was just the extra wages and bonus, the proportion of which has been on the increase, that were income separated from the state's fixed income and were under an autonomous distribution by monetary income and grass-root units. Second, our reforms over the past decade also caused profound changes in the pattern of sources of net income of China's rural residents—the proportion of income derived from the unified operations of collectives to the per capita net income of peasants dropped from 66.3 percent in 1978 to 8.4 percent in 1985 (which bounced back to 9.1 percent in 1987); whereas the proportion of income derived from operations by rural families continued to increase from 26.8 percent in 1978 to 82.9 percent in 1987.

If we add the income derived from operations by rural families to other monetary income earned by urban peasants derived from economic sources other than the nonpublic economy, we may obtain dynamic statistic figures concerning changes in the macroscopic proportion of monetary income derived from the public economy (including the state-owned economy and collective economy in urban and rural areas) to that derived from the non-public economy obtained by China's residents at the present stage. (See Diagram 2)

The figures listed in Diagram 2 clearly indicated profound and major changes in the distribution of monetary income available to China's residents in the course of reforms over the past decade:

1. The proportion of monetary income obtained by residents from the state-owned economy and collective economy under the centralized distribution to their total available income dropped from 73 percent in 1978 to 35 percent in 1987. Meanwhile, the proportion of monetary

Diagram 2: Proportion of Income Derives From the Public Economy to That From Nonpublic Economy in the Residents' Monetary Income Between 1978 and 1987



—Source: China's Statistics Yearbook of 1986-1988

income obtained by these residents from the non-public economy was increased from 27 percent in 1978 to 65 percent in 1987. The former was decreased by 38 percent (though its absolute volume was on the increase) while the latter was increased by 38 percent (the average annual growth rate of its absolute volume was more than 32 percent, obviously an accelerated increase). Such changes of the two in the dynamic proportion were precisely a shift of position, and their intersection point took place between 1981 and 1982. Obviously, this was mainly because the income of peasant families, as well as that earned by individual households in urban areas derived from private operations, sharply increased after the agricultural reform began in the early 1980's.

2. The sharp increase of residents' income derived from the private economy changed the long-standing equalitarian tendency of low income among China's residents, and their income differences were widened. According to a 1978 sample survey conducted by the State Statistics Bureau on income and expenditure of China's peasant families, the per capita net income of 97.6 percent of the peasant households was below 300 yuan, and 74.3 percent of the total number of peasant households earned a per capita net income of more than 300 yuan, including 35.7 percent of these peasants who earned a per capita net income of more than 500 yuan. Also, according to another sample survey conducted by the State Statistics Bureau on income and expenditure of China's urban resident families, the per capita net annual income of 25 percent of the low-income families was between 551 and 733 yuan, and 20 percent of the high-income urban families earned a per capita net annual income of more than 1,352 yuan.¹² In fact, judging from the situation in 1988, residents who earned an annual income of about 1,300 yuan reached only the middle range, as there were a small number of residents who earned an actual annual income of tens of thousands or even more than 100,000 yuan.

3. The proportion of subsidies and welfare income earned by workers of the state-owned units and paid out of the state finance was on the increase. Let's take the

situation in 1987 as an example. The total amount of fixed wages (including wages on the basis of seniority and jobs but excluding bonus, piece-rate extra wages) payable by units owned by the whole people under the centralized distribution of the state was 79.2 billion yuan. After a reduction of 13.6 billion yuan of wage for retired personnel, the total amount of fixed wages for workers was 65.6 billion yuan. However, the total payment of expenses relating to monetary welfare made by these units in 1987 was 61.7 billion yuan (including 41.6 billion yuan of expenses for the labor insurance and welfare of workers, and 20.1 billion yuan of expenses for wages, insurance and welfare of retired personnel).¹³ This figure was about the same as that paid by the state to workers in the form of fixed wages. The amount of direct subsidies paid out of the state finance to workers for their living expenses totalled 11.7 billion yuan. In 1987, China's expenses paid by urban collective units on welfare services totalled 12.7 billion yuan (including 9 billion yuan of expenses relating to the insurance and welfare of workers, and 3.7 billion yuan of expenses relating to wages, insurance and welfare of retired personnel).¹⁴] By adding 55.3 billion yuan of non-monetary welfare received by urban residents (see Table 1), we may calculate an estimated figure of urban residents' total income in 1987 in the form of welfare as 141.4 billion yuan (61.7 billion yuan + 12.7 billion yuan + 11.7 billion yuan + 55.3 billion yuan).

Thus, we can see that two-thirds of the current annual fixed income (excluding bonus and other floating income) earned by China's workers have taken the form of welfare. Only a small portion of such enormous expenses (one percent of the total amount of monetary welfare) was paid by the administrative departments, and 99 percent of them were related to wages payable to the units in question. Judging from the dynamic tendency, the lesser difference among proportions of workers' wages, the lesser difference on the wage scale; otherwise, the proportion of workers' income in the form of welfare to their monthly fixed income would be increased. Furthermore, in the wake of price rise, the state could not but constantly increase the wages of workers and retired personnel. Such increase also acted as a kind of social relief welfare to offset inflation and price rise. At the same time, in the wake of reform of the housing system, China will, in the 1990's, gradually convert the non-monetary welfare into the monetary one (that is, the change of indirect subsidies into direct ones). The combination of these factors will turn our present wage system into a distinctive welfare system under the socialist conditions.

IV. Contradictions and Conflicts of Changes at the Present Stage in Composition of Income of China's Residents

After reviewing the changes in the composition of income of China's residents over the past decade, one may clearly point out three major changes: (1) the proportion of non-monetary income to the residents' gross income dropped year by year, while the proportion

of their available monetary income was on the increase. This indicated that the extent of commodity monetary income in residents' economic life was enhanced, and the market was being developed; (2) the proportion of income derived from the non-public economy to the residents' available monetary income was on the increase, while that of income derived from the public economy dropped. This indicated that in the course of reforms over the past decade, there were considerable changes in the basic economic elements, and the private economy would play an important role in China's future national economic operations; (3) the proportion of monetary income in the form of welfare to the residents' total monetary income derived from the public economy was on the increase.

Although the above three major changes in the composition generally conformed to China's current needs in the development of productive forces, they brought about a number of social contradictions, or even sharp conflicts. First, the growth of residents' income, as well as labor productivity, in the state-owned economy made the two enter a nonrelated or slightly related state. This is because in the early days of reforms, China could not but absorb extra employees to take up government posts in order to ensure basic stability in society, thereby objectively increasing the labor price on the market. However, the state could not promptly increase the wage level of such extra employees, nor could it really widen the income differences among workers employed in the state-owned economy, because of financial limitations. This made the relative income earned by residents from the nonpublic economy obviously higher than the average wages earned by workers employed in the public economy, thereby forming an increasingly sharp contrast. The sharper such contrast, the less effective the proper stimulation and dynamic leverage played by the monetary income of state-owned economy, thereby turning more income into welfare or relief nature.

Second, as China's nonpublic economy is at present basically a private economy marked by petty commodities, its productivity presents a sharp contrast with that of state-owned economy. Such contrast, together with the above contrast in residents' income, went contrary to their proper position. Workers working in the state-owned economy yielding a high level of productivity and technical skills earned a low income; whereas individuals who practiced their small-scale private business with their low productivity and poor technical skills earned a high income. Therefore, the real orientation of the whole set of economic mechanism, which is driven by interests, is no longer technological advancement and civilization of society. Rather, it supports and consolidates backward technology, and advocates stupidity and illiteracy. This can be proved from China's widely known facts that following our rural reforms in the past decade, the production style and operation technology of cultivation industry remained unchanged, the basic agricultural facilities were destroyed, there were backward developments, and the number of illiteracy among the new generation of peasants has been on the increase.

It is just because of contrasts in productivity and resident's income, as well as the inverted interests-oriented relations between the public economy and the small-scale private economy, that the income of mental laborers is inevitably lesser than that of physical laborers, which was and is a very rare phenomenon in China and other countries. Therefore, it is inevitable that there develop contradictions and social phenomena that the current income of China's intellectuals is very low, education is facing crisis, it is difficult to find jobs for university and college graduates, there is a large-scale brain drain, a large number of students plan to do business rather than studying, and frequent campus upheavals have been developed. Such phenomenon has thus brought about China's second sharp contradiction and conflict in society. A continuous development of this contradiction will be greatly detrimental to China's future longterm economic development and civilization of its society. As it is just the enthusiasm of decade-long reform supporters and elites of society that were undermined by the phenomenon, it has become the greatest hidden danger to the stability of our future economy and society.

Third, unfair competition and inequality in income distribution have brought about various kinds of corruption in the economic life when we carry out reforms. People often see that following the recent adoption of dual-tracking operation mechanism, which involve both the planning system and markets, so long as various administrative levels relax a little bit of their financial management, a large amount of public funds were turned into monetary income of the small-scale private economy (though we still cannot prove this by means of statistics, it is estimated that the figure must be a gigantic one) through grey or black markets. At the present stage, this figure represents a lion's share of China's urban and rural private economies, particularly, represents upstarts who run their private business under the name of government support. In fact, this is also a sharp social contradiction in the course of changes in the monetary income of China's residents at the present stage. Not only has it poisoned the general mood of society and undermined people's standard of morality, but is also gradually undermining the original sense of trust on reforms among the honest masses. This is another hidden danger.

Footnotes

1. "Study on Issues Concerning China's Strategy of Economic Development" edited by Liu Guoguang [0491 0948 0342], published in 1984 by Shanghai People's Publisher, p 388.
2. "China's Statistics Yearbook" of 1986, 1987 and 1988.
3. The steps for calculating an approximate value of the monetary income of each peasant are to get approximate values of non-monetary income and payment in kind received by each Chinese peasant from the sample data

in the "commodity and self-support living expenses per person in each peasant family and their composition," to get approximate values of net income per peasant from the sample data in the "average net income per person in each peasant family" and deduct them from the said non-monetary income.

4. The steps of calculation are to deduct the total volume of consumer goods sold to residents in the "total retail volume of commodities in society," and residents' cultural and service expenses in the "sources and distribution of purchasing power for commodities in society," from residents' total consumption amount in the annual "national income and expenditure amounts." The balance is the gross non-monetary income in the nature of social welfare received by residents in that year. An approximate value of the monetary income of each urban resident may be obtained by referring it to the sample data on income and expenditure of China's urban families collected by the State Statistics Bureau.

5. "China's Statistics Yearbook" of 1986, 1987 and 1988.

6. Ibid

7. Ibid

8. Ibid

9. Ibid

10. Ibid

11. Ibid

12. Ibid

13. Ibid

14. Ibid

AGRICULTURE

Cadres Said To Violate Land Laws, Abuse Power

40060529a Beijing JINGJI CANKAO in Chinese
20 Apr 89 p 2

[Article by Li Wenru 2621 2429 5423, reporter, and Wang Ping 3769 1627]

[Text] Spokesman Du Guochang [2629 0498 2490] from the Office of Inspections of the State Bureau of Land Management recently told reporters that the chief barrier to implementing the "Land Management Law" at present is cadre disregard for the law and their abusive use of power above the law. Because of this, the State Bureau of Land Management has been cooperating with the Ministry of Examination and Inspection to investigate this abusive use of power, focusing mainly on administrative cadres violating the law in granting permits for land use.

According to the information supplied by the State Bureau of Land Management, in the three years that the "Land Management Law" has been in effect, most government agencies have improved on their land management activities, and cases involving unlawful occupation and use of land has been on the decline, from an average of about one million cases a year for several years to 400,000 cases a year. However, in some localities, incidents violating land management law and rules still occur. For example, take the town of Zibo, where land management had been going well. However, a total of 705 cases of land occupancy violations involving over 1,700 mou was found during the past two years. Land management offices at various levels indicate that the most thorny part of enforcing the "Land Management Law" was dealing with the disregard that cadre leaders at some localities or offices show toward the law, whereby they interfered with land management work by exceeding their authority and approving land for occupancy use. Another example is found in Hebei Province where a total of 22,815 cases of unlawful land occupancy occurred, of which 6,961 cases, comprising over 30 percent of the total cases, involved administrative offices exceeding their authority in granting such use.

Du Guochang also indicated that the increase in cases of land occupancy approval by improper use of authority is closely related to heating of the economy the past several years. In some localities and some offices, the cadre leaders have little concept of the legal system, a situation which leads them to think only of economic benefits for their own locality or office, and to place laws established by the state in the background. Some cadres used development of an outward-oriented economy to disproportionately approve land occupancy cases. Others converted whole numbers into zeros, taking money out first, then making it up, to avoid legal oversight. For example, when a development zone in a county of Hainan Province was being opened up, cadres exceeded their authority and approved for confiscation 16,113 mou of land, all done without any planning and detail work. In Guangdong Province, other cadres exceeded their authority and approved two industrial processing zones covering an area of 3,900 mou.

Du Guochang also said that the most serious violation was the way some administrative cadre leaders used their positions to interfere directly in the work of land management offices. If, in carrying out their public duties, land management cadres should find themselves working against the benefit of certain agencies or that of leadership cadres, they would be sent to sit on hard wood benches as punishment in light cases, and reassigned or stripped of their jobs in more serious situations. To protect and maintain order and discipline, and to protect China's diminishing land resources, the State Bureau of Land Management and the Ministry of Examination and Inspection have recently issued a joint notice on "Land Management Law" conduct, which spells out severe treatment as provided by law for those who continue to approve land management or occupancy in

violation of the law, whether by exceeding their authority or making their own rules in approving the right to lease the land, using their positions for self gain by occupying land illegally, or interfering with the work of land management agencies and offices.

Vegetable Market Zones Said To Prosper

40060529b Beijing JINGJI CANKAO in Chinese
17 Apr 89 p 2

[Text] Surveys by the Vegetable Specialists Advisory Group of the Ministry of Agriculture demonstrate that two somewhat definitive vegetable zones are showing up in China at present—a southern subtropical vegetable zone, and the Huai-Hai vegetable-production zone, that together produce close to one billion kg of vegetables a year. This has an increasingly great effect toward alleviating the tight vegetable supply for large and small cities in northern China during the winter and spring seasons.

At present, the subtropical vegetable zone in southern China that is concentrated in the six provinces of Guangdong, Guangxi, Yunnan, Fujian, Hainan, and Sichuan is already established, and the volume of vegetables shipped north is increasing yearly, with vegetables shipped out in 1987 already reaching 600 million kg. Among these provinces, Fujian is already becoming the national vegetable base for cauliflower, Chinese broccoli (including bok choy), and onions, centered around Xiamen and Fuzhou. The focus in Yunnan Province is on the valleys of the southern and western sections of the province where winter and early spring vegetables are grown over a 200,000-mou area at present, which supplies close to 100 million kg of vegetables for shipment outside the province. The southern Guangdong production base is centered around Janjiang and Mouming where winter vegetables are grown over 500,000 mou, producing sweet peppers, cucumbers, tomatoes, and various other vegetables, supplying the whole country with more than 200 million kg of vegetables every year.

Another large vegetable production center is concentrated in over 100 counties around Xuzhou, Zaozhuang, Kaifeng, and Bangfou to form the Huai-Hai vegetable production zone. Over 250,000 mou in this area are planted all year round, and another 1.5 million mou are planted with seasonal vegetables. Vegetables grown for commercial purposes total 3.5 billion kg, of which 2.5 billion kg are sold locally, and the remaining one billion kg are shipped outside the area. This area has become an important vegetable production base supplying large and middle-sized cities in northern China, and towns and industrial areas in the Huai-Hai economic zone. Vegetable production here continues toward collectivization, multivariety, and specialization, with the appearance of villages growing only eggplants (e.g., eggplant villages), cucumbers, or leeks.

At present, the demand for vegetables for large and middle-sized cities in northern China is met by vegetables shipped in all year round from the Huai-Hai vegetable zone, and during the winter and spring months, by

supplements from the subtropical vegetable production zone in southern China, introducing thus, a pattern of moving vegetables from the south to the north.

XINHUA Issues News Briefs

OW0709134489 Beijing XINHUA in English 0820
GMT 7 Sep 89

[Text] Beijing, September 7 (XINHUA)—The following are items of capital news in brief gleaned from recent Beijing newspapers:

More Fruit

The output of fruit produced in Beijing's suburbs increased to 238 million kg in 1988 from 200 million kg in 1984, and is expected to reach 250 million kg this year.

The BEIJING DAILY reported that more than 1,300 orchards have been developed on the outskirts of Beijing, including 107 each with an area of more than 66 ha. Among the main fruits are apples, pears and peaches.

More Pork

More than one million head of pigs were purchased from Beijing's suburbs in the first 6 months of this year—up 25 percent from the same period last year—while the number of pigs in stock increased by 31.9 percent to 1.66 million head.

The BEIJING DAILY reported that more than 1,200 pig farms have been built in the suburbs of the capital, each having more than 1,500 pigs. The development of pig farms has raised the city's self-supply rate of pork, which is the main non-staple food of Beijing citizens.

More Fish

The output of fish produced in the suburbs of Beijing increased to 39 million kg in 1988 from 1.3 million kg in 1977, the BEIJING EVENING NEWS reported.

The paper attributed the increase to efforts made by the municipal government to build fish ponds, ease controls on fish markets and introduce the responsibility system to fish production.

More than 6,733 ha of fish ponds have been built in 14 counties and districts around the city proper.

Proposals for Rural Policy Under Rectification

40060615 Beijing ZHONGGUO NONGCUN JINGJI
[CHINESE RURAL ECONOMY] in Chinese
No 5, 21 May 89 pp 3-10, 29

[Article by Zhang Zhongfa 1728 1813 3127, Rural Development Center of the State Council: "Research on Responses to the Improvement and Rectification of China's Rural Economy"]

[Text] In the current environment of improving the economic environment, from the perspective of the overall situation, controlling inflation and cutting back on overheated fixed assets investment is extremely important. It is also an opportunity for further reform and development of the rural economy. However, in terms of actual control, it also has a definite influence on the rural economy. Below we present for consideration an explanation of the impact that rectification has already had or will have on the rural economy and some responses.

I. The Impact of the Tight Money Market

When demand is inflated, supply is insufficient, and inflation occurs in national economic life, it is absolutely necessary to differentially adopt a tight credit policy to check demand, but one should also note that credit plays a dual role in the process of reproduction, that is, when credit is used for investment in fixed assets it can stimulate demand and the law of delayed benefits explains that, for a short time, supply cannot be created. Overdoing things may put a great deal of pressure on capital, creating an economic calamity for us. Yet, an increase in the floating capital for internally expanded reproduction can increase effective supply. In the several retrenchments of the past years the central bank's monetary policy did not take the agriculture's special character into consideration. Such characteristics as severe restrictions on resources, a net annual population growth rate of 14 million, land diminishing at a rate of 7 million mu, the high risks, high turnaround time, and low economic efficiency but high social benefits of agricultural investment, and the delay in effective supply were not treated differentially. As far as overheated industrial production was concerned, tightening an inflexible expansion of fixed assets was an appropriate dosage of medicine that cured the "investment hunger." However, as far as agriculture was concerned, it was dose after dose of purgative with the result that the effective supply of agriculture repeatedly lost its developmental impetus, and produced a break in results.

Between 1981 and 1988 the volume of credit nationwide rose from 241.4 billion yuan to 1,055.2 billion yuan, an average annual increase of more than 21 percent. Viewed in light of the annual increase in loans, the proportion of agricultural loans declined year by year but the proportion of fixed assets loans rose year by year. In the tight credit year of 1985, the proportion accounted for by the increase in floating capital loans was 68.8 percent, a decline of 7 percentage points over the previous year, the proportion accounted for by the increase in agricultural loans was 4.3 percent, a decline of 6.2 percentage points over the previous year, yet the proportion accounted for by fixed assets loans rose sharply, from 9.5 percent in the previous year, to 27.9 percent, an increase of 18.4 percentage points. This indicates that the credit tightening of 1985 put pressure primarily on agricultural loans and protected fixed assets loans. In 1987 the proportion accounted for by the increase of floating capital and fixed assets loans was 0.3 percent; only the

proportion of agricultural loans declined by 0.6 percent. This also indicates that the tightening of the fourth quarter of 1987 was primarily in agricultural loans. In 1988 the state credit plan provided for a 31.9-percent increase in the fixed assets loan plan and a 15.9-percent increase in the industrial floating capital loan plan, but provided for only an 11.6-percent increase in the agricultural plan. What is worth pointing out is that nearly 40 percent of the peasant deposits absorbed by rural credit cooperatives that were collective in nature were taken by the state, of which reserves before the end of 1986 were drawn at 25 percent of total deposits, and the subsequent new increase was taken at 13 percent. Before 1987, reserves were drawn at 10 percent, and in 1988 were taken at 7 percent. Beginning in 1986, 5 billion yuan was taken by the state from special deposits. Yet the profit loss created by interest paid by the state in 1988 compared to the credit cooperative's costs was about 2 billion yuan, leading to enterprise losses for over 25 percent of the credit cooperatives so that it was difficult for them to stay in business.

In summary, it is clear that state credit's inclination toward rigid expansion of fixed assets and toward giving more and more prominence to industrial and commercial enterprises creates a situation in which, with each tightening of rural credit, rural banks and credit cooperatives in many regions could almost only accept funds but not release them, so it is difficult for agricultural production materials to get into the hands of the producers because of the shortage of monetary funds; floating capital loans of the normal enterprise production turnaround cannot be guaranteed, so that it is also difficult to sell agricultural sideline products because of the shortage of funds. In 1985 there was a flood of writing IOUs in procurement of agricultural products everywhere. In 1988 this has reached an intolerable state. According to surveys of a dozen provinces, including Jiangsu, Hebei, Anhui, and Henan, for grain, cotton, and tobacco alone, the writing of IOUs by the commercial departments to peasants reached several dozen billion yuan. Peasant reaction was violent and not only seriously affected peasant initiative to plant grain and cotton, but also damaged feelings between the party and the masses of peasants, creating a series of problems that cannot be underestimated. This situation was extremely unfavorable for improving an orderly economic environment and for stability and unity. For 1989, the size of agricultural bank's loan are 289 billion yuan, an increase of 10 percent over 1988, making it an absolute reduction of 3 billion yuan. The total size of planned increase in credit cooperative deposits is 17 billion yuan, and in loan, 20 billion yuan. The plan allows 8 billion yuan for agricultural loans, and 7 billion yuan for village and township enterprise loans. However, since the reforms of 1985, agricultural banks' new credit system of using actual loans and deposits to carry out the dual operations of planning and funding had made agricultural banks' plans authorized by the Peoples' Bank of China as food coupons. On the other hand, agricultural banks have to make their own arrangement

for funds. However, due to the appearance now of pluralization in rural fund raising, and with the addition of errors in monetary policy committed by the central bank over the past few years, the fixed assets credit plan in the state credit plan has grown at an ultra-high rate of 30-50 percent for several years in a row. For several years in succession, credit expenditures have been greater than credit revenue and, with this rather large gap, they have relied on squeezing floating capital loans, squeezing rural loans, and forcing several specialized banks to buy bonds for key construction to support and make up for the financial deficit and to support an ultra-high growth rate in capital construction. This made capital even tighter for specialized banks in a situation in which they faced competition from a variety of financial organizations and in which there was already a shortage of capital so that capital became even tighter. In addition, there was a slide in savings deposits, so after the tightening of loans, there was also enterprise slippage and a payments crisis. This exposed the inflexibility of the banking system to respond to emergencies in a severe shortage. Yet, abroad, France, Italy, South Korea, and Taiwan have begun to maintain the value of savings and increased interest rates in order to deal with inflation, so that in a few months they can recover a large amount of capital. But China's banks have been unable to make policy in time concerning these issues thereby losing time and good opportunities. Many rural and urban financial institutions and their direct capital flow patterns are developing rapidly, but in terms of control they cannot catch up and exploit the large amount of capital in the state credit plan and they also have lost the function of macromanagement and control of capital, causing another spring planting emergency in the first quarter of 1989 for rural credit, which was in an unfavorable position. January deposits dropped sharply by 7.6 billion yuan, smaller by 4.4 billion over last year, which directly influenced this year's agricultural production.

II. Difficulties and Challenges That Have Reappeared in Township Enterprises

According to surveys, in the current economic rectification environment, production of 20 percent of Hangzhou's township enterprises is normal, production of 40 percent is slightly affected, production of 15 percent is seriously affected, and 25 percent have shut down. Beijing reports that in the current environment, 25 percent of the enterprises will either shut down or shift to other production. Jiangsu reports that approximately 30 percent of the enterprises will shut down or shift to other production. According to Bureau of Township Enterprises estimates, if 20 percent of the enterprises nationwide shut down, it will involve approximately 3.5 million enterprises, 15-20 million laborers will return from township enterprises to the first line of agricultural production, and 3.5 million urban construction workers will once again return to the rural areas. It will reduce the value of township enterprise production by 75-100 billion yuan and will directly impact peasant income by 10-40 billion yuan. To be specific, development of

township enterprises currently faces the following difficulties: 1) The state contraction of credit and tightening of the money market may create major difficulties for enterprises in terms of capital, especially creating larger problems for some enterprises with many bank loans. Although these enterprises make up only about 30 percent of rural collective enterprises, some of them are mainstay enterprises that have grown well and have high returns, and if this cannot be put in order it will cause great losses to township enterprises; 2) Some departments carried out specialized management of important production materials, market development was poor, some relationships had not been handled smoothly, changes occurred in goods and materials channels that had been created by township enterprises, even to the point of being blocked and this also caused difficulties in the supply of raw materials and energy to township enterprises, especially processing enterprises that used agricultural sideline goods as raw materials. Since the market in grains and oils was tightened up, enterprises engaged in these processing industries have continued to have difficulty; 3) Shortage of energy; 4) Some muddled thinking on the part of cadres and employees.

In January 1989 the value of rural industrial production increased 29 percent over the same period last year. This increase was higher than the 8.2-percent January increase in the value of industrial production nationwide, but it was definitely a major decline compared to the increase for township enterprises over the same period in the two previous years: In January 1987 it increased 42 percent over January 1986, and in January 1988 it increased 58 percent over January 1987. There are different ways of looking at an increase of this magnitude for current township enterprises. For example, the "Report On the Slowing Rate of China's Production in January" in the 6 February RENMIN RIBAO held that the high growth rate of rural-run industry still had not been effectively controlled, and they proposed firmly restraining rural-run industry in order to preserve national industries. Yet some grass-roots-level comrades were worried about the growth of township enterprises, feeling that if things continued in this way the consequences could not be imagined. Some peasant entrepreneurs were suspicious of party policy to develop township enterprises, feeling that the policy put forth by the 13th party congress on developing township enterprises had changed, and that now it was not to mobilize and support development of township enterprises, but to restrain and not develop them.

III. "Cold Assets" Are Also Covered by a Cloud

In the current inflation, the "fanaticism" for industry to do things in a big way and the overcooling of agricultural industries is due to the "reverse pressure" mechanism, which has not been rooted out. Since the reform of the economic system, as the autonomy of local governments and enterprises expands, the cause of inflation of China's credit and development capital is not mainly the policy of total volume expansion on the macroeconomic basis by the central government, but is due to the existence in

the current system of the reverse pressure mechanism, which created inflation. This reverse pressure mechanism is expressed in two ways: One way is that local government pursues high norms and high-speed short-term achievements, and in addition, industrial and commercial enterprises pressure specialized bank branches and local (municipal) finance offices (bureaus) at the same level to increase loans and development capital to satisfy their desires to expand investment and production; to support development of the local economy the specialized bank branches and local (municipal) finance offices (bureaus) at the same level can only put pressure on the central bank branches and specialized bank general offices and provincial finance offices (bureaus) at the same level. The central bank branches and the specialized bank general office and the provincial finance offices (bureaus) at the same level also must put pressure on the central bank general offices and on the Ministry of Finance in order to satisfy the demands of their subordinates. The other way is that, in order to increase their own benefits and those of the central departments in charge, by taking a share of costs, industrial and commercial enterprises put pressure on the central finance departments at various levels to reduce taxes and allow them to keep more profit so that the gap between their revenue and expenditure will force the central bank to make it up. In the face of this dual pressure from specialized banks and central finance offices, the central bank and the finance departments must give in. The way they give in is through issuing more money and squeezing agricultural capital to satisfy the over-large demand for capital, with the result that an imbalance in the national economic structure is created, industry develops too fast, there was no increase in grain for four years in a row, effective supply has deteriorated, prices are out of control, consumption capital has pushed ahead, creating the most serious inflation since the founding of the People's Republic of China, and its cause is categorically the strong leaning toward fixed capital investment and rigid inflation. After the beginning of the eighties, the high tide of new investment inflation came right on its heels, and the high growth rate and the length of the period for which it has been sustained is rare among the major powers. In 1988 fixed asset investment throughout society was 4.7-fold that of 1981, an average annual increase of 25 percent. The average national annual income during this period increased only 17 percent, the gross value of output of society increased 16 percent, and investment in output of three major materials—an annual increase of 4 percent in steel, 13.6 percent in cement, 3.5 percent in lumber—were all much lower than the rate of investment growth. To sustain the ultra-high rate of investment in the difficult conditions of a state financial deficit of 65 billion yuan in 1979-88, 1) State credit released a veritable flood of loans: in 1984-88 the average annual increase was 47.7 percent, and in these four years the annual increase in currency issued was over 20 billion yuan, the net amount put into circulation in 1988 was over 45 billion more than in the previous year. 2) Self-raised capital, which makes up about 60 percent of

investment societywide, was not under effective control in terms of scale. In 1988, fixed asset investment societywide was 431.4 billion yuan, of which the state controlled only one-third. 3) State financial resources were far from sufficient to support getting various projects off the ground, so all it could do was squeeze and squeeze again the capital of agriculture and other industries and still it did not help. All it did was leave a large gap domestically, where nothing could be done about effective supply. In the five years from 1984-87, [as published] 93.53 million tons of steel were imported, which is nearly half the steel produced during the same period, at a cost of nearly \$30 billion in foreign exchange. The factors that brought about such a serious situation were: 1) The capital construction front line was stretched too long and too far. According to statistics, investment in construction projects throughout society in 1987 was 1,200 billion yuan, over twofold more than in 1981, of which nationally owned units accounted for 736.1 billion yuan, and, apart from completed investment, there was still over 340 billion yuan waiting to be invested. This is equivalent to threefold the planned investment of 1988. 2) Inflation in investment put prices out of control. Society's overall demand is much greater than overall supply. According to statistics, the difference in 1984-85 was about 50 billion yuan, in 1986-87 it had grown further to about 100 billion yuan. 3) Industrial and agricultural production were seriously out of balance. This made grain production-oriented agriculture an increasingly cold industry. By 1988 state credit had already broken through the 1 trillion yuan level, rural bank and credit cooperatives had gone past 400 billion yuan, but the loans used for agriculture were only several dozen billions. Investment in agricultural capital construction made up only 3.2 percent of capital construction nationwide, declining into a valley, while at the same time, in terms of the entire society, grain production-oriented agriculture was still in a very unfavorable position: (a) The "no sales" in grain and cotton in the fourth quarter of 1989 hurt the peasants; the increasing rises in overall costs of planting grain and cotton make it hard for the peasants to take; the randomly raised prices makes prices between grain and cotton not corresponding in returned profit; and the peasants feel that planting grain and cotton is hopeless. (b) The township enterprise "industry supplementing agriculture" and "industry building agriculture" capital of 1978-87 aftertax profit was 72.8 billion yuan, of which 15 billion yuan were used as agricultural production capital. With the tight money market of 1989, this fund will be greatly reduced. Not only this, but the "reverse pressure mechanism" may also squeeze out some of the newly increased agricultural capital investment, and now it is very difficult to verify the application below the local and county levels of agricultural development capital which has been provided by the central government. (c) It is difficult to use extrabudgetary capital for agriculture. In 1987 there was 204 billion yuan outside the budget; in 1988 it was 227 billion yuan, but the 1 billion yuan that was used for agriculture is still difficult to ascertain. Of the land use taxes still outstanding, 800

million in funds to be collected in 1988 was still not paid, because some state departments would only acknowledge but not hand over the money. (d) It is difficult for many current investment companies and financial groups to invest in agriculture. In the last 2 years alone, the farming population has established five investment companies, some are enthusiastic about creating enterprises, but no one is enthusiastic about putting money into state policy-type investments. (e) It is hard for state capital construction policy to make money in agricultural production. The capital construction funding system that is first being implemented in 1989 requires coordination at all levels, but because agricultural benefits are very low it is difficult for them to come up with funds. Agricultural investment for 1987 was 5.6 billion according to the plan, but in the end only 4.5 billion went to agriculture. Over 2 billion was transferred to the processing industry. (f) The advantages of post-price increase subsidies are difficult to convert into agricultural investment. This is a very thorny problem. The 1980 subsidy was 24.2 billion yuan, in 1988 it had reached 40 billion yuan, and, after both overt and covert subsidies, it is becoming increasingly clear that the subsidies have gone to consumption. (g) The tortuous backward flow of capital is serious and very unfavorable for agriculture. Our national income is collected first of all through taxes on developed areas and enterprise profit, then distributed to the various regions throughout the country. However, the profits earned by backward areas is low and the interests are taken away by the developed areas. (h) Society is "eager for development," but does not invest in food production. Some "two aquatic and one animal husbandry" developmental agriculture in the coastal areas developed rapidly: The annual output of the aquatic products industry is growing by 1 million tons per year, and several hundred millions in capital can be collected and invested, but it is very difficult to develop the grain industry. (i) It is difficult for the funding societies established by agricultural collective organizations to invest in grains one after the other. (j) State financial expenditures to support agricultural production have basically not increased, but are still at the 1988 level.

IV. Suggestions for Several Responses

A. Responses for Rural Financing

1. Changes in rural cash-holders in China. In the past few years it has been said that the peasants have money. According to statistics, 240 billion yuan of the 1,349 billion yuan paid out in cash by banks nationwide is in the hands of urban and rural employees. According to estimates, 65-70 percent is in the hands of peasants, more than 150 billion yuan. Is it actually more or less than this?

In the past few years, there have been changes in the use, turnaround, and circulation of money in the hands of peasants. There used to be only consumption capital, but now peasants are independent producers and have not only consumption capital, but also operating capital for

production. In addition, some managers have ceased to be peasants, and although their numbers are not great, they are "oligarchs" of the capital in peasant hands and what is in their hands is also operating capital. They have lost confidence in current state credit policies primarily because state has too rigid control of rural credit policy, wanting to exercise macroeconomic control. First of all, they made the rural areas the first target of attack and added on various unreasonable burdens, such as deposits of credit cooperatives, reserves handed over to higher levels, special deposits, and various types of urban construction bonds so that rural credit cooperatives and agricultural banks are subject to the whims of higher levels, locking up financing. The money of peasants and individual households cannot be freely withdrawn so they simply don't deposit it. In addition they have withdrawn money already deposited and this is an important reason for the slide in rural credit cooperative deposits. Therefore, if the problem is not resolved fundamentally from now on, blindly thinking that the peasants have a lot of money will make it difficult to come up with effective policy solutions.

2. From now on we should take a new road of rural finance. First of all, we should guarantee a reasonable rate of increase in rural credit. Rural credit investment and capital encouragement have a major role in agricultural economic development. Thus, whatever the situation in state financial macroeconomic control from now on, it should guarantee reasonable growth in the total amount and a proportional increase. We should really rectify the credit policy, which is heavily inclined toward urban industry, and strive for synchronous growth of rural and state credit. Under conditions when a major change is impossible, we should take the transitory path of "agriculture providing for agriculture, and state safeguards" rural finance.

3. Gradually establish a new mechanism for rural credit input. Sensible growth of rural credit needs a new mechanism and a new system as guarantees before it can avoid the situation of the past few years in which tightening credit put pressure on agriculture to protect industry and on production to protect capital construction. The idea of establishing a new mechanism and system divides rural credit into two parts: One part is to make the financial mechanism into an enterprise, and the other part is to make the financial mechanism into a policy. Adopting suitable proportional restrictions for the current pluralistic financial setup must readjust policies as follows: 1) The central bank formulates a special agricultural currency policy to make rural areas a key point of guarantees in the release of credit and currency and it implements a policy of differential treatment of interest rates and reserves of different financial organizations. I can envision liberalization of the interest rate below the rural county level. 2) Eliminate the extraordinary burdens on the financial organizations of rural credit cooperatives, such as buying key construction project bonds and special deposits and reserves handed over by credit cooperatives. 3) Involve the pluralistic financing organizations that China has already formed for specially

designated policy type credit; adopt proportional restrictions for each financial organization. We can stipulate that each financial organization must directly or by proxy issue agricultural policy credit in a fixed proportion, and in this way guarantee multiple channels for policy-type credit as well as avoid the passive situation of rural credit often being attacked in tightening policy. 4) The agricultural bank has a leadership relationship with the credit cooperatives administratively, but occupationally it should fully liberate and invigorate them so they truly recover the "three essences."

4. In view of the repeated slides of rural credit cooperative agricultural bank credit funds currently, to ensure that this year's agricultural sideline production marketing capital will not again have "no sale," we should adopt the following three urgent measures: 1) The Chinese People's Bank should readjust this year's credit and cash plans, implement a truly partial policy and a state safeguard policy to ensure the allocation, turnaround, and use of purchase capital. 2) Commissioning the agricultural bank to act as its agent, the people's bank should, in carrying out coordinated management, emphasize coordinating problems of the people's bank and the agricultural bank in purchasing quarterly long-term loans or short-term loans; coordinate problems of the agricultural bank and the credit cooperatives in loans and transfer deposit linkages; put some effort into coordination problems of grain enterprises and the agricultural bank in the plan settlement transfer rate created in the purchasing system; coordinate problems of the people's bank and the agricultural bank with regard to responsibility for the time lag in use of purchase capital; coordinate problems of the agricultural bank and the finance departments in prompt division and transfer of grain price increases; coordinate problems of the people's bank and various specialized banks in reviewing the general situation, understanding the overall situation, and strictly observing purchase capital prestige in grain purchase capital; and so forth. 3) If the interest rate of rural credit cooperatives and agricultural banks below the county level cannot be liberalized, the interest rate should at least be permitted to float up 60 percent so that, when collecting funds from a variety of sources, the credit cooperatives and agricultural banks will attract more deposits.

B. Responses for Township Enterprises

1. Open capital channels, dig deeply for hidden potential, and overcome capital difficulties. In the recent rectification, state credit is tight and external borrowing is difficult. Our responses are: First, we should give full play to the enterprise function of raising their own capital. We should adopt effective measures, reduce allocation, and attract the consumption capital of individual employees by rural financial organizations raising funds through shares, bonds, and cooperative ventures. In addition, we could implement a risk security contracting system that clarifies the asset relationship of the enterprise and the employee in order to attract employees to invest even more capital in the enterprise.

Second, continue to import from abroad and cooperate with units in the interior, to develop vertical and horizontal joint operations and engage in various types of joint production, joint management, and joint marketing, and provide more and better support for projects in the three forms of import processing and the compensation trade. Third, improve capital management. According to surveys, among 13 quota revolving funds and 8 nonquota revolving funds, finished goods, export products and receivables occupy the largest ratio. Occupation of floating funds should be held at about 25 percent, but some are as high as 60 percent, some as high as 45 percent. Management of this must be improved and control strengthened. Fourth, existing capital should be used where it can be put to best use and where it can earn the maximum benefits. Mainstay enterprises with good results should be given the green light not to rely on money, but should be allowed to have all they want and go full steam ahead to obtain the maximum results; adopt a dual policy of support and restriction, primarily support, with regard to low-profit enterprises, and a policy of restriction should be adopted with regard to enterprises with marginal profit and loss; enterprises that earn no benefits should be resolutely shut down and converted.

2. We should safely develop externally oriented enterprises when the opportunity arises. The implementation of the economic development strategy proposed by the Central Committee for coastal areas should definitely not be changed. This is an excellent opportunity for developing township enterprises. First, a large group of enterprises should change over as quickly as possible, utilizing existing production equipment, labor force, and technological strength to engage in various types of export-oriented cooperative production or import raw materials to produce products that can be exported. Second, fully utilize our inexpensive labor force, technological strength, basic facilities, and industrial capacity and, through expanding economic cooperation and exchange, better "develop exports with imports" and "the three forms of import processing and one form of compensation trade" projects, import foreign capital, technology, and managerial experiences and "graft" them onto ours to gradually expand a series of products that are made in China in order to develop unique characteristics of China's enterprises and products beyond what is well-known in trade fairs. Then make a concerted effort to reduce costs, break into the international market and earn more foreign exchange. Third, draft a preferential policy to actively encourage foreign merchants to come to China to start up independently-funded enterprises that we are basically unable to operate on our own. In summary, we should fully utilize the favorable economically restructured international environment of Asia and the Pacific and through rectification both change the developmental pattern of an originally backward economy and also blaze a new trail of export-oriented development suited to the needs of international economic development and conforming to China's national circumstances.

3. We should learn the contemporary secrets of competition and emphasize technological developments. The most crucial element in perfecting the composition of industries and goods is to learn the secrets of competition and take the path of technological development. Such industries as light industry and textiles, electronics, domestic electrical goods, and toys are the hot spots in current world competition, goods are replaced quickly, changes in varieties and styles are unpredictable, and many entrepreneurs have become aware of the inherent laws of goods and markets, costs, and profits from the special life-cycle of goods. When a product comes on the market, there are not many competitors and, because there are no similar products, it is difficult to create price competition; after test-marketing succeeds, it attracts competitors, stimulates demand, expands the entire market, and thus produces price competition; when the new product becomes standardized, the difference between products of different brands begins to diminish, the basis of competition shifts to prices, and the process of improving production is in fine-tuning the production scale to lower production costs so that prices can be lowered. Although there are differences between products in the creation and marketing situation and the period of maturity varies in length, sales will ultimately tend to decline due to market saturation; and enterprise profits will also differ because the products are in different stages of the market's "life-cycle." Initial sales are small and costs are high; in the second stage, sales increase and profits gradually reach a peak; in the third stage profits begin to slip; in the fourth stage the product is discontinued, completing the cycle. Entrepreneurs need to have a strategy of overall systematic product development to be able to stay in business and, in competition, they must always keep the product in a dominant position in the market in terms of space, time, region, position, quality, and price. This also requires all-round use of advanced technological developments as a backup, broad development of scientific research and new scientific and technological achievements, and profiting by "borrowing other people's brains"; we should concentrate on domestic and foreign science and technology, industrial processes, and important information on markets; we should constantly improve employee quality; our products should be of higher grade, we should create preferential policies, break rules to promote people, and establish a patent system to encourage employees and scientific and technological personnel to develop.

4. Rectification should not be done with rigid uniformity. First of all, we should eliminate some projects and keep some other projects, not duplicate construction, blindly develop, and should clear house and rectify the high-cost low-efficient projects. We should be allowed to develop projects that can increase supply effectively, rationally distribute the enterprises, and projects that have the capital, energy resources, and raw materials.

5. Growth of township enterprises should be at a sensible rate. China is a nation with an overwhelming majority of

peasants. To improve the lives of the 800 million peasants and find work for the excess rural labor force, township enterprises must maintain a suitable rate of growth; from now on, state banks also should increase the amount of credit funds in circulation, should especially increase the floating capital allocation for township enterprises that are already of substantial size, so that industries which accelerate the development of effective supply can expand their reproduction from within the system. Supporting the growth rate of township enterprises has the prerequisite of improving economic efficiency and must not rely excessively on bank loans and excessive consumption of energy and raw materials in pursuit of high rates which are divorced from reality.

6. Draft township enterprise industrial policy and industry plans as quickly as possible. On the basis of state industrial policy, departments managing township enterprises should carry out survey research as quickly as possible, readjust industrial and product composition, and formulate medium- and long-range industrial policy and industrial plans suited to China's national circumstances.

C. Responses to Heating Up "Cold Industries"

1. Shift the investment strategy, which is partial to industry, to one that is partial to agriculture. According to overall diagnosis and assessment of five theories: 1) By the Qian Nali [6929 4780 6849] and Sai Erkun [1049 1422 2492] model, China has entered a rapidly-changing period in its economic structure. 2) By the Kuznet's theory and Lorenz's curve in which "two-element structure" and "accelerated growth" are most important, the gross value of China's domestic production has reached more than \$300 per capita, making this the golden age of implementing decisive policies to change our capital investment strategy. 3) Overall, China's rural capital flow and its development process of commodity economy are consistent with the complex process in which the economy is fueled with money, the capital is used to boost the monetary system, and the capital is regulated by scales and standards. China's rural capital flow is also guided by the direction of its rural economy which makes it very obvious a theory at this stage—China has entered a middle phase of economic development in which capital funds are the main part of its monetary system. We must speed up in putting more money in our rural economy. 4) Leontief's national economic structure input-output theory: We must coordinate the development of China's national economic structure, change investment strategy so that elements of production, especially the element of using capital, can be developed toward the "cold industries" in "bottleneck" enterprises; 5) According to the quantitative theoretical analysis of the famous economist John A. Molite [5459 0448 3676] of the Oxford School of Economics concerning the economic development and agriculture of 70 developed countries between 1970 and 1975 and 18 developing countries between 1975 and 1977, the reason for the gap in China's investment in agriculture is the greatest is one

of the fundamental causes of the decline in grain production-oriented agriculture in recent years.

2. We should gradually establish a new mechanism for investing capital in "cold industries." It is very difficult for a grain production-oriented agriculture to move up, primarily because when there are seriously distorted prices, peasants and local governments cannot obtain benefit guarantees for planting grain, and, hence, they have no initiative. On the basis of this special national situation—that the rural economy is a planned commodity economy, but the commodity economy cannot be completely marketized—capital is bound to have two guiding characteristics. That is, in the circulation process, capital objectively should be guided by the market and also guided by policy. Therefore, one can imagine separating rural capital in two parts: One part is using capital to develop industries that focus on the village and township enterprises, and regulating these industries by the capital funds available on the market; the other part is, by adopting the policy of "taking from rural areas and using it for agriculture" and "agriculture provides for agriculture and state safeguards agriculture," using capital to develop agriculture focusing on grain under the premise that industry still cannot set the trend of development on a large scale. To ensure that grain production-oriented agriculture moves up to a new level, that a new system can be established in which policies are made on standardizing the scope of capital funding, and to facilitate operations, we envision the following:

First, for sources of capital. During the 8th Five-Year Plan, plan from the angle of growth and, without changing the existing channels, combine the agricultural funds in state capital construction, public expenditures to support agricultural production, and funds from the newly established agricultural funding system, state credit capital, the agricultural support funds of local governments, and collective and agricultural household funds. The annual average increase is roughly 15 billion yuan, of which the state agricultural capital construction fund is 2 billion yuan, public finance capital is 4.5 billion, state credit capital is 3 billion yuan, local financing is 3 billion yuan, and the cooperative organizations and peasants are 2.5 billion yuan. The basis for supplying this capital: 1) The State Planning Commission's capital construction fund is the most effective fund to help grains reach a new level. For a long time, the absolute figure has declined and the proportional decline has brought grain production to a dropoff, arrears are at their greatest, and so-called declining agriculture should be corrected beginning with the 8th Five-Year Plan, increasing the total 30 billion yuan, quadruple that of the 7th Five-Year Plan. We need only an adjustment solution in the capital construction total set up by the state, increasing agriculture's share of the capital construction total from 3.2 percent in 1988 to 8 percent in 1995. 2) Arrange to use 10 percent of the increased income as part of the state's annual finance budget for agriculture (approximately 2 billion yuan). It should be noted that this is not much, but when added to the funds in the

newly established agricultural fund system and the annual increase of 2.5 billion yuan in the taxes used for farming, it is quite feasible. 3) The 3 billion yuan increase in state credit is primarily low-interest support of agricultural production capital turnaround and this requires that the financial authorities appropriately deduct the interest or reduce the profit passed on by the bank to higher financial echelons. 4) Local financing must annually arrange for a new increase of 3 billion yuan in agricultural capital, local financing means identifying excess income in the budget, excesses when work is completed, income outside the budget, and increases in agricultural turnaround funds support. There is a great deal of room to maneuver in all of these and should be used more for agriculture. 5) The average annual 2.5 billion yuan increase in allocations for collectives and agricultural households refers primarily to the collective's land-contracting fees taken from peasants' income and their production expenses, and if the state takes the lead, this can be resolved.

Second, direction of capital investment. The key to agriculture at the end of this century will be an increase of 200 billion catties of grain on the existing base. Increasing grain output requires expanding reproduction. There are two ways: One is expanding outward and increasing the area of cultivated land; the other is to take the road of internal expansion, engaging in intensified management of the existing area of cultivated land and expanding the area of high and stable production. This path will not require land reclamation capital, but it will require improved production conditions and that will require a great deal of capital. After resolving the capital for increased grain production, it will still be necessary to resolve investment in improving the ecological environment, primarily expanding afforestation and planting grasslands. It will also develop animal husbandry and fisheries, taking the path of combined agriculture, animal husbandry, and fisheries, which is characteristic of China, and one way out is standardized raising methods; second is engaging hundreds of thousands of households in raising; third is turning raising into enterprises; fourth is improving grassland conditions, increasing its capacity for grazing animals; fifth is vigorously developing aquatic products, fully utilizing networks in the sea shallows for raising fish and shellfish, combining large-scale raising of fisheries from all the inland rivers, lakes, and ponds sources, and refined raising of fisheries from specific sources. This is primarily to resolve the problem of meat and to make up for China's inadequate land resources. The investment in this area is money well spent.

3. Adjust the benefit mechanism at all levels. Because currently grain prices are distorted, financial departments at all levels responsible to the central authority, provinces that ship out grain, and areas of heavy production accepted as grain shippers transfer finances and they feel they have got the worst of it, and this is definitely a real problem. In the future we must consider linking the grain needed by the state to the provinces and

heavy production regions as well as the financial responsibility. In the release and distribution of grain funds we also should go on adopting contracts to ensure that the grain development funds can be determined on a fixed points and at a fixed location to earn the maximum benefits. All levels in grain- and cotton-producing regions should formulate preferential policies, such as increasing funds for basic facilities construction, projects to help increase the value of on-the-spot grain transformation processing, and providing benefit differentials for units that ship out and units that ship in. Guarantee the establishment of a benefits mechanism so that heavy grain producing areas will not suffer.

4. Establish a new peasant investment mechanism. Taking nonfarm land property rights as a cost, we can auction off barren hills, wasteland, and home sites, even without receiving cash by using the advance payment purchase method to attract peasants to invest in land; we could also increase land contracting fees to invest more of the money in the hands of the peasants in agriculture; we could also fully utilize state funds as a guide, glue, and leaven to attract peasants funds to increase investment in land and let the peasants really benefit from it.

5. We should fully utilize the regulatory mechanism of the international grain market to carry out our grain import strategy. From looking at the recent period, a certain period of delay is still needed for the newly established investment mechanism to deliver benefits: Grain demand is also a kind of rigid expansion, China's land resources are inadequate and it is also difficult for labor resources to be continually fully invested in land. Under the constraints of such shortages, on the basis of the principle of international comparative benefits, we must take advantage of the favorable opportunities of world grain market regulation and as a substitute for China's land resources, take full advantage of China's relative agricultural superiority, and choose China's grain import export strategy.

Looking at the overall situation in world grain production and consumption, under peaceful conditions, world grain production can satisfy growth in mankind's consumption demand. However, there are still some aggravating tendencies in regional grain production imbalances. At present, many countries of the world import grain and the strategies and methods they adopt are not entirely the same, but can generally be divided into three types: One is long-term stable, suitable imports. This is a medium- and long-range grain import plan drafted on the basis of the feasible rate of growth in domestic grain production and changes in demand, each year maintaining stable, balanced, and suitable imports. Second is opportunity utilization. This refers to purchasing in large quantities, primarily commercial-type provisional imports, when grain prices on the international market are low. This is very random and requires a fairly large buffer storage. Third is adjusting import-export varieties. This method is based on basic self-sufficiency in

domestic grains and a very small deficit. Generally, more is imported in peak years and less is imported in lean years.

By the end of this century, China's imports can be maintained at 15-20 million tons and, based on imports of this scale and considering our future relaxation and invigoration and the needs of vigorously developing an export-oriented economy in the coastal areas, we should basically select the first type of import strategy, that is, long-term, stable, appropriate imports. The basis for this is: One, world grain supply is abundant. Developed exporting countries not only cannot change the current situation in which grain relies on sales in the international market, but also competition in the overseas market may become fiercer daily. In general, for a time in the future the world grain market will still be a buyer's market and this is an excellent opportunity for us. Two, seen from the perspective of the patterns of the current world political situation, for the next 20-30 years the world will be at peace and there are no indications of an outbreak of global war. Three, grain prices are still good. Reckoned in terms of historical averages, the f.o.b. price for wheat on the Chicago Exchange in the United States is basically \$120-170 per ton and for corn it is \$100-140 per ton. With the addition of shipping charges and insurance, they are \$135-185 per ton and \$115-155 per ton, respectively. Projecting ahead, for a fairly long time in the future prices will tend to fluctuate around this level and calculated at a rate of 5 RMB [renminbi] to the dollar, the price per catty for wheat and corn is 0.34-0.48 yuan and 0.29-0.41 yuan, respectively. Fourth, although expanding grain imports will require an increase in expenditure of foreign exchange, by increasing grain imports we can reduce the pressure of demand and be able to arrange for more cultivated land to be planted in economic crops, vigorously developing a foreign exchange-creating agriculture to compensate for the foreign exchange used for grain imports. Naturally, after basically adopting the first grain import strategy we should consider the second and third strategies as well. For example, when grain prices drop on the international market we should consider using the opportunity to obtain better economic efficiency. Or again, if the price differential between some grain varieties on the international market increases, for example, if the price of rice is several times greater than that of wheat and corn, we also should not lose the opportunity to arrange for exports of rice. In the future, we should give coastal regions grain export rights and uphold the principle of being responsible for foreign exchange profit and loss; we could also establish a national level grain reserve; and we should sign trade agreements with long-range prospects.

Cotton Called 'Poor Quality'

40060738e Beijing JINGJI CANKAO in Chinese
18 Aug 89 p 1

[Summary] This year textile companies in Beijing have been allocated 150,000 dan of cotton imports, so far the companies have received 93,000 dan of U.S. cotton and

40,000 dan of Brazilian cotton. However, because the sugar and moisture content of the imported cotton is too high, cotton mills cannot use it in production and have thrown it away. Textile enterprises have asked relevant departments to file claims against U.S. and Brazilian cotton merchants.

Rice Exports Decline in 1989

40060736e Beijing JINGJI CANKAO in Chinese
4 Sep 89 p 3

[Summary] In 1989 China will export 500,000 tons of husked rice, a decline of 200,000 tons from 1988.

Fujian Tea Production 'Increases'

OW0909140689 Beijing XINHUA in English
0608 GMT 9 Sep 89

[Text] Fuzhou, September 9 (XINHUA)—Tea planting, processing and exporting in southern China's Fujian Province have developed rapidly in the past 10 years of reform, and the province now exports its tea to over 60 countries and regions.

Last year Fujian produced 55,000 tons of tea—double the output in 1978—and it made \$35 million from exports in 1988, more than double the 1978 figure.

The province is China's major producer of tea, cultivating five major kinds of tea in more than 300 varieties.

The province's oolong and jasmine tea are the most popular among overseas consumers. The annual export of these teas increased from 800 tons in 1955 to 9,950 tons in 1988.

They are mainly exported to Hong Kong, Japan, Southeast Asia, the United States, Canada, Britain, Federal Germany and France.

Guangdong Grain Storage

40060740a Guangzhou GUANGZHOU RIBAO in Chinese
25 Aug 89 p 1

[Summary] As of 20 August, Guangdong Province had put over 1.7 million tons of summer grain in storage.

Hebei Rural Savings

40060736d Shijiazhuang HEBEI RIBAO in Chinese
7 Aug 89 p 1

[Summary] As of 20 July, Hebei rural savings in credit cooperatives totaled 11.899 billion yuan, an increase of 1.159 billion yuan over the beginning of 1989, and an increase of 95,360,000 yuan over the same period in 1988; rural per capita savings were 256.98 yuan, an increase of 25.04 yuan over the beginning of 1989.

Heilongjiang Wheat Output

40060738d Beijing JINGJI CANKAO in Chinese
4 Sep 89 p 1

[Summary] Gross output of summer wheat in Heilongjiang Province will be 3.1 billion to 3.25 billion kilograms, an increase of 600 million kilograms over 1988. At present, each mu of wheat costs 60 to 70 yuan, but the per mu yield is less than 150 kilograms.

Jiangxi Grain Procurement

40060738f Nanchang JIANGXI RIBAO in Chinese
23 Aug 89 p 1

[Summary] As of 20 August, Jiangxi Province had put 1,329.32 million kilograms of commercial grain in storage, an increase of 559.1 million kilograms over the same period in 1988, accounting for 66.5 percent of the task. In addition, 770.22 million kilograms of negotiated grain was procured.

Jiangxi Rural Savings

40060738a Nanchang JIANGXI RIBAO in Chinese
6 Aug 89 p 1

[Summary] By the middle of July, rural saving deposits in Jiangxi credit cooperatives totaled 2.08 billion yuan, an increase of 110 million yuan over the beginning of 1989, and an increase of 80 million yuan over the same period in 1988. Peasant per capita savings exceeded 70 yuan.

Jiangxi Aquatic Products Output

40060738f Nanchang JIANGXI RIBAO in Chinese
8 Aug 89 p 1

[Summary] In the first half of 1989, the aquatic breeding area in Jiangxi Province exceeded 3,880,000 mu, an increase of more than 20,000 mu over the end of 1988. Gross output of aquatic products was 125,900 tons, a 9.7 percent increase over the same period in 1988.

Shandong Develops Wasteland

40060738c Beijing JINGJI RIBAO in Chinese
9 Sep 89 p 1

[Summary] Shandong Province will invest 40,500,000 yuan this winter to develop 270,000 mu of wasteland for cotton planting in Wudi, Zhanhua, and Yangxin Counties. Newly developed cotton fields will be exempt from agricultural taxation for three years.

Statistics Show Shanghai Residents 'Eat Better Food'

OW0809060889 Beijing XINHUA in English
0134 GMT 8 Sep 89

[Text] Shanghai, September 8 (XINHUA)—The residents of Shanghai, China's leading manufacturing

center, are having more high-quality non-staple food, according to the municipal agricultural and commercial departments.

Statistics also show that this year's average annual consumption of pork per person is expected to reach 35 kilograms; fowl, 10.5 kilograms; eggs, 14 kilograms; aquatic products, 24 kilograms; and vegetables, 144 kilograms; in addition to untold amounts of edible mushrooms, soybean products and other animal meat.

The average annual consumption of pork per person in 1950 was only 15 kilograms; fowl, 3.5 kilograms; eggs, 3.6 kilograms; and other high-grade non-staple foods were not for ordinary people.

The city's nutrition experts estimate that a Shanghai resident consumes 2,700 calories daily, including 70 grams of protein and 50 grams of fat, higher than the average for people in other Third World countries.

As a result of having better food, Shanghai residents have greatly extended their life-span. Their average life-span is approaching that of Americans and other Westerners.

Statistics show that the average life-span was 72.5 years for men and 76.8 years for women last year, an increase of 20.1 and 21.3 years respectively over 1952.

Zhejiang Province Developing Grain Output

40060529c Beijing JINGJI CANKAO in Chinese
14 Apr 89 p 2

[Article by Hu Hungwei 5170 1347 0251 and Yu Zhongda 0205 0112 6671]

[Text] "Man and hog fighting for rice" sounds like a phrase from "The Arabian Nights," but this is a fact of life in many villages in Zhejiang Province. A survey by the Agricultural Economics Commission of the town of Jinhua shows that in that town alone, at least 30 million kg of rice is used every year for feeding hogs. These calculations, based on information from 40 hog-raising households in the hamlet of Bailungchiao Zhen in Jinhua, show that a fat hog kept for 8 to 10 months until slaughter will consume 160-180 kg of rice during that time, which is comparable to the amount of grain consumed by one human adult in a year's time.

In face of diminishing yields of grain crops in successive years past, how can an odd phenomenon such as "man and hog fighting for rice" appear in Zhejiang Province?

Problem Lies in the Irrational Grain Consumption Structure

Statistical data from the Zhejiang Provincial Animal Feed Company has the answer. Since the provincial animal feed industry was born in 1979, animal feed production has been growing at an annual rate of 90 percent. By last year, a total of 147 large and small

animal feed processing plants were in operation, producing a total of 1.35 billion kg of formulated (mixed) animal feed that has placed the province among those in the production forefront. However, on an overall scale, domestic livestock and poultry in the province require 4 to 4.5 billion kg of animal feed yearly, so the conflict between supply and demand for formulated (mixed) feed is very obvious. It is understood that because of the present crisis in animal feed supply, transactions for formulated animal feed in Zhejiang Province, whether the price is standard or negotiated, are all made by coupons or contracts to protect the provincially assigned live hog and poultry production bases and to comply with the rules that households feeding and raising the animals would link up with the "vegetable baskets" at the local markets and that the hog-raising households in general can solve their own problems. In a tight supply situation, any attempt to regulate the animal feed market is difficult. Because formulated animal feed is difficult to purchase, quality is frequently lacking, and the price difference between food grain and feed materials is hardly noticeable (present negotiated price for late rice is one yuan per kg, versus 0.96 yuan per kg for formulated hog feed for young hogs), many peasant households and some fairly large hog-raising operations can only use single-item foods such as white rice, sweet potatoes, rice bran etc., to feed their hogs and domestic fowl. It is estimated that under identical conditions, the feed-to-meat ratio of hogs raised on formulated feed is approximately 3.5:1, whereas that for hogs raised on rice and other single-item foods is as high as 5.5:1, with a greater fat content in meat, which is highly uneconomical.

Analysis of this problem by the Zhejiang provincial government, agricultural agencies, and animal feed agencies recognizes that the key to creating such a paradox is found in the illogical structure within the system of grain output and use. The total grain output in Zhejiang Province last year was 15.55 billion kg, of which rice comprised 13 billion kg; maize 100 million kg; soybeans, 100 million kg; and yams, 500 million kg. Apart from grain used for food and industrial purposes, the dry grain resources available for producing formulated feed is very limited. To meet needs of the feed lot industry for maize alone, Zhejiang Province has had to purchase 750 million kg of the grain each year from other provinces, thereby expending large sums of money and mental energy. Moreover, because of a grain shortage nationwide, locating available grain elsewhere has become increasingly difficult. This conflict or paradox in supply and demand for feed use grain has become the most serious problem in the grain crisis facing Zhejiang in recent years.

Growing Upland Grains a Solution To Feed Supply

Thus, is it impossible for Zhejiang Province, which grows rice in abundance, to develop and grow upland grain crops for feed use, and not have to depend on outside sources? Actually, the facts show it is possible. According to surveys made, the uplands acreage in

Zhejiang Province covers over 8 million mou, most of which has been left idle for many years, with the present acreage under cultivation totalling about 3 million mou. Of the cultivated uplands acreage, over 2 million mou are given to double cropping. If this practice is changed to triple cropping by slipping an extra crop of spring maize or spring soybeans into the existing double cropping system of "wheat-yams," an additional 200-250 million kg of upland grains can be harvested each year. Furthermore, another 3 million mou given to plantings of tea, mulberry, fruit trees, and young forests can allow plantings of upland grains slipped in, for such plantings only cover one-third of the acreage available at present. Also, there are more than 600,000 mou of watermelon fields that can allow slipped-in plantings of maize and tian cheng dou [3944 1039 6258], a plan that has yet to be put into effect.

Comrades at the Zhejiang Provincial Department of Agriculture inform us that on the basis of having a stable acreage of planted grain, long-range thinking on utilizing upland areas to develop resources for dry grain and animal feed production is now basically clarified. It is predicted that beginning this year, we will take the following steps within a 5-year period.

First, we will be opening up areas with a deeper soil layer that is easier to reclaim, on about 300,000 mou of yellow soil uplands and gentle slopes on low-lying hills. Next, we will improve 500,000 mou of better acreage from 2 million mou of double-cropping uplands by converting them to the triple-cropping system. Third, we will "slip-plant" maize on 500,000 mou of watermelon fields. Fourth, we will open up the "four orchards" of tea, mulberry, fruit trees, and young forests to "slip-planting" 500,000 mou in their midst. Fifth, we will expand the planted acreage for tian cheng dou to 5 million mou. Furthermore, development of 200,000 mou of submerged shoreline has already been planned, staked out, along with the conversion of 1.2 million mou of paddies to other planting systems, and pasture land has been expanded by 100,000 mou, and so on. They think that through these approaches, yields of maize will increase from 550 million kg to 750 million kg; soybeans, from 100 million kg to 150 million kg; and formulated animal feed with addition of hay, from 450 million kg to 650 million kg. In this manner, the crisis facing animal feed production and supply in the province will basically be changed.

Mobilizing Active Peasant Adherence to Policy

To mobilize active participation by the peasant masses, the Zhejiang provincial government established a special policy of encouragement this year by:

—Raising the negotiated price for maize suitably, for it to be comparable to prices for maize imported from other provinces, and notifying grain purchasing agencies that the purchase of soybeans must be made at a fair price determined by market principles.

- Permitting peasants to substitute maize and soybeans to meet their contracted grain quota, so they may enjoy favorable aspects of the "three hanging hooks" policy while raising the purchase price appropriately for contracted products. In some uplands where a rice shortage exists, we will allow peasants to exchange maize and soybeans for rice, and to restore the 1:1.25 ratio for exchange of maize to rice, and the 1:1.6 ratio for soybeans to rice, and to calculate the price for them according to negotiated prices.
- Increasing the supply of chemical fertilizers for production of upland grain crops, for which 4000 tons have been planned this year. For watermelon fields where "intercropping" of maize has been done according to regulations, the special production tax may be waived.
- Allocating some capital resources from the province's agricultural development fund to establish some bases for upland grain production, with labor participation by peasants and local financial support at the county and village levels. The plan this year is to develop adjacent segments of uplands as pilot bases for dry grain production to total 5000 mou in the suburbs of Jiaxing and the counties of Changxing, Shangyu, Jinhua and Pujiang. After some experience has been gained, this method can be extended gradually to other parts of the province.

Agricultural Development in Zhejiang Reviewed

*OW1109065989 Hangzhou Zhejiang Provincial Service
in Mandarin 0900 GMT 8 Sep 89*

[Text] In the past 40 years, our province has invested massive funds and much manpower to improving farm infrastructure, thus promoting the development of farm production in the province. In order to change the state of agriculture in our province, which was, in the past, totally at the mercy of weather, the government and peasants have, since liberation, stepped up such infrastructure construction in farming as in the area of water

conservancy, farm machinery, and crop protection. The considerable funds jointly invested by the state and peasants, and the massive manpower put into the construction of farm infrastructure, laid a solid foundation for farm production and development. In the past 40 years, our province has embarked on a large-scale construction of farm infrastructure in the areas of building reservoirs and irrigation projects, flood and drought prevention projects, improving farmland, and dealing with various disasters. A total of 3,541 reservoirs was built, with normal storage capacity at 27.95 billion cubic meters. Compared with early liberation days, water volume for irrigation increased from 4.1 billion cubic meters to 15 billion. The proportion of effectively irrigated acreage of farmland increased from 50 percent in 1949 to 85.5 percent in 1988. Acreage of farmland that ensure stable yields despite drought or excessive rains rose from 1.53 million mu to 15.16 million mu, which in terms of farmland proportion, represents an increase from 5.9 percent to 58.2 percent. At the same time, drinking water for 1.65 million people was also resolved. The sight of animals plowing farmland, which was not uncommon in our province in the early liberation days, is rarely seen now. In its place is the proliferation of farm machinery. Since 1988, the total generating power of farm machinery in the province has reached 10.75 million kw, an increase of 16.7 times over 1965. Currently, over 45 percent of the farmland in the province is tilled by machinery. Farm production in the area of tillage, crop protection, irrigation and drainage, processing and transportation has become mechanized or semimechanized. After 40 years of construction, the promotion and application of farm technology has yielded initial results. An agricultural science service system with various categories has been established in the province. Agricultural technicians reached 14,000. Over 80 percent of farmland is planted with improved varieties of rice. Fish farming has markedly increased per-unit output and greatly improved quality. In addition, the average acreage of farmland applied with chemical fertilizer in the province was raised from practically none in 1949 to 167 kilograms, ranking second in the nation.

Visiting Professor Discusses Status of Educational System

40050577 Hong Kong MING PAO YUEKAN [MING PAO MONTHLY] in Chinese
No 282, 1 Jun 89 pp 52-56

[Article by Lu Chun-fu 0713 0193 3940, visiting professor, Taiwan Cheng-chih University: "Problems of Education on the Chinese Mainland"]

[Excerpts] [Passage omitted] In the past few years I have made three trips to the mainland to do research, individually interviewed 120 mainland intellectuals of both sexes and of all ages, and taught in the departments of education and psychology at two universities (Hangzhou University and Fujian University) with the aim of hoping to obtain directly the materials needed for research on the basis of personal in-depth contact with university students, graduate students, university and specialized school faculty, and other intellectuals.

On educational issues, when conducting individual interviews, I asked the interviewees to freely express their opinions on mainland education and, while teaching, I raised related questions with those in the class and asked them to split up into discussion groups and present written reports. The discussion groups were made up of five or six persons and were conducted during class. I visited each discussion group in turn. Those in the class included 130 university students above the second year, graduate students, teaching assistants, and lecturers. Several professors and associate professors of Fujian Normal University (in Hangzhou) sat in and participated in the discussions. As a result, I obtained 17 discussion reports. Some groups did not hand in reports.

The materials on which this paper is based are the records of the above-mentioned interviews (from my own notes) and the discussion reports. These are first-hand materials, which are difficult to obtain. The people who provided the above-mentioned materials were all people who had either completed or were currently receiving education on the mainland, and some were also direct participants in education work, thus their views and observations are very well informed concerning discussions and reports of Chinese Communist officials and are more truly objective and can better reflect the fundamental issues and their cruxes. I stressed quality rather than quantity in obtaining these materials; although there were only about 200 persons providing materials, their content is very valuable. Thus, this paper is not quantitatively statistical, but is a qualitative analysis based on these materials.

From an analysis of the above-mentioned materials we discover that the problems facing education on the mainland are multifaceted, but can be summed up in the following 13 aspects:

1. Educational Funding—The inadequacy of funding for education is an obvious fact and this naturally is closely

related to the state of the entire mainland economy. Increasing funding has been viewed by the Chinese Communist leadership as an urgent task for resolving current educational problems.

2. Teacher Compensation—Due to inadequate funding, the wages of teachers and all educational workers are, of course, low; in addition, there are few extra bonuses and the income of middle and elementary school teachers is lower than that of factory workers. The income of university faculty is lower than that of an illiterate bicycle repairman, leading to sighs about "the depreciation of knowledge."

3. Status of Teachers—Low teacher compensation also has an impact on the position of teachers in society; even the status of normal school students is lower than that of university students in general, hence, some people advocate changing normal universities to comprehensive universities to raise their status.

4. Teacher Training—Training qualified teachers cannot keep up with the increases in student numbers caused by population growth, so many lower middle school graduates are teaching elementary school, upper middle school graduates are teaching lower middle school, and university graduates (mostly teaching assistants) are teaching in university.

5. Curriculum—Middle schools do not have electives and there are few electives in universities. In addition, there is emphasis on science and a lack of emphasis on liberal arts. (Many higher middle schools regard science classes as the key classes: If the students have superior academic ability they tend to go into the sciences, otherwise they go into liberal arts.) From elementary school to university there is a strong preference for book knowledge and insufficient extracurricular activity. Vocational curricula are not highly regarded, so few sign up for entrance examinations for vocational higher middle schools.

6. Teaching Materials—The content of teaching materials is outdated, out of step with real life, and difficult to study and apply. Elementary and middle school teaching materials are voluminous but of low quality and difficult for students to absorb. University teaching materials emphasize class notes and lack reference materials. There are more than 8 years of political education from lower middle school to university and the teaching materials cannot gain student interest.

7. Teaching—Teaching methods are mechanical and student learning is passive. From elementary school to university, the teacher lectures, the student listens so the student is in an entirely passive learning situation and lacks the ability for self-motivated and independent study and learning.

8. Promotion to Higher Schools—Elementary and middle school teaching is almost primarily or even solely directed toward promotion to a higher level school, and the impact of this goal on middle school teaching in

particular is enormous. The quality of schools and classes is evaluated by the rate of promotion to higher schools.

9. Books—Books are generally inadequate, university library holdings are small, and there is a lack of recent foreign books and periodicals in particular. There are few middle school books and fewer elementary school books and many middle and elementary schools do not even have libraries. The instruments needed for teaching are also very incomplete.

10. Administration—Many educational administration cadres (including education bureau chiefs) do not understand education and have become outsiders leading insiders. There are many restrictions on the rights and responsibilities of school officials at all levels and their managerial sphere is narrow. The same is true of university department heads: limited autonomy, too little room for development, and very low administrative efficiency.

11. Evaluation—Evaluation of learning (school work) relies on traditional examinations. Since the rate of promotion to higher schools is the “baton” (promotion to higher schools is in command), there are many middle and elementary school examinations: There are quizzes, periodic exams, midsemester exams, semester exams, graduation exams, entrance exams, simulated exams, and standardized exams (a test level used in same regions). The examination methods from elementary school to university are monotonous (written, closed book) and stress memory of knowledge from books and lectures.

12. Achievements of the Five Educations—Although there is selection of “three goods” students from elementary school to university, and moral, intellectual, and physical education (“three goods” indicates that these three educations are good) are all stressed equally on the surface, narrow examination of intellectual education is actually still in command. Moral education stresses ideological and political education and becomes preaching. The mainland has no “group education” and “emotional education” by name, but “collectivist education,” stressing collective (group) harmony, collective interests, and the good name of the collective are mass education. Although aesthetic education is also a function of emotional education, it is not universally highly regarded. Thus the achievements of the five educations are not entirely evident.

13. Quality Gap—Because of the large population, there are many schools and students in China and the growth in quantity is alarming, but it cannot be matched by quality, and the gap between the two is enormous. Although the Chinese Communists want to rely on “key schools” to raise the quality of education, the quantity and quality of funding, teachers, and facilities and equipment are absorbed by the improved and emphasized “key schools,” and, since they are in the minority—less than one in a hundred—their effect is not widespread. The quality of rural middle and elementary schools in

particular is much lower than urban middle and elementary schools. Thus, quality of education may be the most serious and fundamental problem in education on the mainland. [passage omitted]

When I was doing research and interviews on the mainland, people often asked me about the educational situation in Hong Kong and Taiwan (I went to the mainland as a teacher at Chungshan University in Hong Kong, but I did not conceal the fact that I had been a teacher in Taiwan). Compatriots in Hong Kong and Taiwan also wanted to know about the situation on the mainland. So, before concluding this article, I would like to make a brief comparison of education in these three places.

The earlier part of this article might make the reader feel that there are too many problems in education on the Chinese mainland and that the quality of education is very low. This is the general situation and it is the conclusion I reached on the basis of materials supplied directly by old, middle-aged, and young intellectuals on the mainland. Yet, we must understand that most intellectuals view these issues with a critical attitude and mainland intellectuals are no exception; they may see more facts as negative and fewer as positive. For the sake of objectivity, at the same time I must point out one thing: The 120 intellectuals of the three generations that I interviewed in depth (I conducted interviews at Changsha and Xiangtan in Hunan; Wuhan in Hubei; Beijing; Hangzhou in Zhejiang; and Fuzhou and Xiamen in Fujian) were of excellent character, the majority were cooperative and sincere, and the intellectuals of the three generations that I interviewed in Taiwan and Hong Kong were basically not much different. The intellectuals of the older generation were educated before 1949 and were baptized in the Sino-Japanese War; the middle-aged ones had been educated under two different systems and had been through the catastrophe of the Cultural Revolution as well; the younger generation had received a Communist education, but very few had been directly influenced by war. Relatively speaking, the education received by the older generation was more complete and solid, but they have experienced the chaos of war (including the War of Resistance and the Cultural Revolution); the education received by the middle-aged generation was not complete and solid and they suffered the torment of a chaotic situation (the Cultural Revolution); the latter stage of the education received by the young generation was better than the former stage, there was generally little anxiety in their lives, but they have an exaggerated notion of their own abilities. However, the impact of communist ideology on the three generations of mainland intellectuals is still not as great as the influence of traditional Chinese culture, modern Western culture, and the actual living environment, thus, they are fairly close in state of mind to their age-mate intellectuals in Taiwan and Hong Kong who have been influenced by Chinese and Western culture, except that the older and middle-aged Taiwan and Hong Kong generations have not experienced the Cultural Revolution and are healthier physically and mentally; however, the lives of intellectuals of the younger generation on the mainland, Taiwan, and

Hong Kong are more affluent and carefree than those of the older and middle-aged generations, therefore they have an exaggerated idea of their own abilities and are markedly individualistic.

In purely educational terms, although there are differences between the three places, there are many areas that are basically similar, which may be worth noting. First the differences: In terms of funding, facilities, books, school buildings, administrative efficiency, teacher compensation, and student freedoms, Hong Kong leads, Taiwan is next, and the mainland is more inferior. In terms of respect for teachers and principles, teacher-student relations, study atmosphere, and degree of respect for knowledge, Taiwan is in first place, Hong Kong is next, and the mainland is at the bottom. But in terms of the spirit of working quietly and being happy to lead a virtuous life, the mainland is first, Taiwan is second, and Hong Kong is third. In terms of specialized training for teachers, Taiwan and Hong Kong are about the same, but the mainland still needs improvement. In relations between the sexes, Taiwan students are more liberated, Hong Kong is next, while the mainland is conservative. In religious belief, there are more believers (mostly Christians) among Hong Kong students and teachers, not many in Taiwan, and even fewer in the mainland.

The above are the more evident differences in education in these three places, but the basic similarities are even more worth our attention. Briefly, they are:

1. Teacher Personality—Compared with other professions, both male and female teachers in the three places have a strong moral sense; male teachers tend to be serious and introverted and have no passion for power; female teachers tend to be patient, yielding, and cooperative. Both male and female teachers have authoritative personalities, enjoy teaching, and know that they must adopt an appropriate democratic style in interactions with students; however, there is still a gap between knowledge and practice.

2. Teaching Methods—Although most of the teachers in all three places know that the lecture method is not the best teaching method, the traditional method of the teacher lecturing and the students listening is still adopted in practice and, from elementary school to university, teachers and students are accustomed to this teaching method, very few students object, and teachers rarely take the initiative to change it.

3. Quality of Students—The quality of elementary and middle school students is uneven, but there are no great differences between the three places in terms of the quality of university students. In teaching at universities in the three places, I used the same teaching method (half lecture and half small group discussion) and the same teaching materials (a textbook I wrote), and, from observations in class and from the homework, the quality of university students I taught in the three places seems pretty close.

4. Competition for Promotion to Higher Level Schools—Instruction in elementary and middle schools in the three places is directed primarily toward promotion to higher level schools and competition is fierce (strictly differentiated, the mainland is fiercest, Taiwan is next, and Hong Kong competition is more relaxed since Hong Kong students from elementary school to university can freely move up to a higher level school abroad). The subjects and style of the examinations for promotion to a higher level school also are generally the same and the prevailing custom of studying only for the examination is widespread in all three places.

5. Enthusiasm for Study Abroad—Although Hong Kong is most open, and the mainland is most restrictive on going abroad to study, university graduates in all three places have "study abroad fever." The number of students from the three places studying abroad in the United States is greater than the number of students studying abroad in other countries (Taiwan has the most, the mainland is next, and Hong Kong is third). In addition to government-supported mainland students, there are also self-supported students (including those who arranged their own support and those supported by foreign friends and relatives.)

Seen from the above, although the political and economic environments of the three places are different (Taiwan and Hong Kong are pretty similar; but there are still some differences), the educational situation is largely the same. This may be hard to believe, but, according to my research and observations of these three places, this is what I discovered and I did not anticipate this either. The reason for this is that the societies of the three places all experienced several thousand years of Chinese culture (primarily Confucian ideology, which the Chinese Communists call "feudal ideology") to a similarly deep degree; plus the assault of Western culture of the past century and a half (nearly 150 years) and these two forces, Chinese and Western culture, override the impact of the changes in the political system in the three places over the last 40 years, and there is no significant difference in impact between the latter and the former. The longstanding and well-established Chinese culture in particular is deeply rooted in people's minds and has formed the personality core of the Chinese (especially the intellectuals) from these three places and this is the primary reason why education, teachers, and students from these three Chinese societies are so similar.

XIN GUANCHA Criticized for Supporting Student Movement

40050668 Beijing GUANGMING RIBAO in Chinese
25 Jul 89 pp 1, 4

[Article by Ma Weian 7456 3956 1344: "Essays Are Like Rocks, Too—An Observation Regarding XIN GUANCHANG—NEW OBSERVER"]

[Text] As the disturbance in Beijing turned into a counterrevolutionary rebellion, the thugs and some misguided people hurled rocks at PLA [People's Liberation Army] soldiers and military vehicles. When I read the articles in XIN GUANCHA [NEW OBSERVER] No 10, I felt that some were rocks, too.

The three articles, "To the Two Yuan Mus," "Calm Thoughts in the Aftermath," and "Incomplete News Reporting," in XIN GUANCHA No 10 were three rocks hurled by that journal. Those articles were very clear about where they stood. On the one hand, they advocated and supported the disturbance and whipped up public opinion and fueled the spreading fire. On the other hand, they aimed the spearhead right at the party and the government.

What caused the disturbance in Beijing Municipality and its escalation into a counterrevolutionary rebellion? "Calm Thoughts in the Aftermath" said, "Rather than say that the students were manipulated by conspirators from behind the scene who instigated the whole movement, it would be far more credible to say that the two major demonstrations were triggered by the impertinent remarks of several spokesmen." The "impertinent remarks of several spokesmen," of course, refers to the dialogue between Yuan Mu and other comrades and the students.

Whoever tried to quell the disturbance was also responsible for fanning the disturbance—this is the logic behind "Calm Thoughts in the Aftermath."

Comrade Deng Xiaoping said, "This storm would have come sooner or later. It was the result of the international macroclimate and China's own microclimate. It was inevitable. There was nothing we could have done to prevent it." Comrade Chen Xitong's "Report on the Quelling of the Disturbance and the Suppression of the Counterrevolutionary Rebellion" relied on many facts established here and abroad to prove that Comrade Deng Xiaoping's thesis was indeed scientific and correct. Supported by reactionary forces on the outside, a handful of party and nonparty members who clung to the bourgeois liberalist stand and were involved in a political conspiracy had been making, for the last several years, ideological, public opinion, and organizational preparations with the purpose of overthrowing the CPC and overturning the People's Republic of China. In January of this year, at one of their gatherings, they said, "We need to take action now," and "A couple more meetings and we will take to the streets." They publicly clamored for abolition of the one-party system; they called for the CPC to step down and for the overthrow of the existing regime. They demanded that the 10 provisions pertaining to demonstrations in Beijing be rescinded. The handful of people who started the disturbance were determined to fight the party and the people to the end. Despite the best of intentions, and no matter how restrained, how patient, and how compromising the party and the government had been, they would not give in. This was the reason for the goings-on day and night

this year as spring slowly changed into summer. "Calm Thoughts in the Aftermath" ignored the ideological, public opinion, and organizational preparations these people had given so much careful thought to in recent years and said that "the impertinent remarks of several spokesmen" had "triggered" the student's processions. Isn't that too "modest"? Isn't that going too far?

As the disturbance developed, a handful of people were so swollen with arrogance that they ignored law and order and made trouble and picked quarrels. At will, they organized demonstrations, went on hunger strikes, spread rumors, distorted the truth, smashed things, looted stores, and formed an illegal organization. They even turned Tiananmen Square, a sacred place in the hearts of China's 1.1 billion people, into a garbage dump and put a so-called "goddess" there. In short, they wanted to disrupt social order and to cause as much trouble as possible. Afterward, they exploited whatever advantages they could and wrote whatever articles they wanted to write. They knew very well that the government had not and could not recognize their illegal organization, but they sent representatives of the illegal organization to meet with the government and, in their dialogue, they made stringent demands and even assumed the posture of negotiating with the government. (We must realize that this was the ideological and organizational preparation of the handful of people who wanted an opposition party in China; it was a maneuver for the opposition party activities.) A trap was set: If the government agreed to a dialogue, fine; the government was recognizing their illegal organization. If the government refused, even better; the government was blocking all channels for a dialogue, and that could stir up things even more.

Despite all these, the government took the whole situation into consideration and remained restrained. Although it did not recognize their illegal organization, it did not refuse to engage in a dialogue with members of the illegal organization who participated in a personal capacity. Newspaper reports said, "When a student from University of Political Science and Law suggested that the government should have a dialogue with the 'Beijing Universities Students Autonomous Federation,' Yuan Mu and He Dongchang clearly indicated we will have a conversation, a dialogue, with students invited by the All-China Student Federation and Beijing Municipality's Student Federation. We will not recognize students from unapproved, illegal student organizations."

This might have been entirely unexpected or just as expected. But clearly the conspiracy had failed. The article "To the Two Yuan Mus" angrily charged that "You knew very well that among those with whom you spoke were delegates from the illegal organization. As spokesman for the State Council, you carried on a fervent and reassuring conversation with them. You should have either recognized their legality, or it was a mistake—you should not have engaged in this dialogue that had neither representation nor legality."

Either recognize their illegal organization or refuse to participate in the dialogue—that was what they wanted. But the government neither recognized the legality of their illegal organization nor refused dialogue, and those people were furious.

The lawless acts of the handful of people who instigated the processions, the hunger strikes, the spreading of rumors, the riots and looting, the disturbance of social order, and the formation of the illegal organization as described above indeed reflected the reactionary state of mind of the handful of people. To them, the world was someone else's world, and the country was someone else's country. They were starting a fight in someone else's kitchen and breaking someone else's pots and pans; whatever mess they made, the government would clean up, and if anyone lost face, it would be the government and the state, at no cost to them. The handful of people thought they were being clever. Little did they know that they were only showing themselves to be a bunch of political hooligans bent on causing trouble.

On 22 April, thugs in Xian attacked the Shaanxi provincial government compound. They smashed, looted, and committed arson. According to a XINHUA SHE report:

"Today, as the memorial meeting for Comrade Hu Yaobang in Beijing drew to a close, tens of thousands of people gathered in Xincheng Square in front of the Shaanxi provincial government building. College and university students followed an orderly procession and took part in the memorial activities. Some lawless elements were mingling with the crowd in the square. They chanted reactionary slogans and repeatedly stormed the provincial government building."

The article "Incomplete News Reporting" maintained that if this had been a test, this news item would "obviously not get a passing grade."

Whether it would get a passing grade would depend on who was doing the grading. For example, the article charged that the news was being "vague in pinpointing the culprits." But I disagree. The news report clearly stated that the students filed in an orderly procession and took part in the memorial activities, and it was the "lawless elements" who committed the crimes. The article also charged that the report failed to "explain properly" why the lawless elements "chanted reactionary slogans and repeatedly stormed the provincial government building," because "people do not chant reactionary slogans nor go on a rampage for no reason at all."

You want a "proper explanation" for the "reactionary slogans" and the "storming of the provincial government building"? There can be two "proper explanations." One, it was because of their hatred for the Communist Party and for socialism; two, it was because of their "anticorruption and anti-official profiteering" sentiments." I would like to ask the author of "Incomplete News Reporting," which "proper explanation" would get a passing grade? The first "proper explanation"? If we report on a rapist, do we have to have a "proper

explanation" (why) for his committing rape? Do we have to "explain" why people "steal and rob, embezzle, and accept bribes" in our news reports? Does it make sense to say "people do not rape, rob and steal, embezzle, and accept bribes for no reason"? Take a positive example: In reporting that a certain athlete has just become the world champion, do we have to explain "why he wanted to be a champion"? Ordinarily, we do not ask "why" people "chanted reactionary slogans"; we would be more likely question whether the "slogans" are indeed "reactionary," and we might even defend those "slogans." One cannot help but wonder: Where does the author of "Incomplete News Reporting" stand on this issue? For whom is he speaking?

The third article shares one unique point with the other articles: Without exception, they all mentioned Comrade Zhao Ziyang, defended Zhao Ziyang, exonerated Zhao Ziyang, and tried everything to protect him and build him up. They had very high hopes in Zhao Ziyang. This indeed is inevitable and to be expected, because Comrade Zhao Ziyang was definitely responsible for the disturbance and its escalation. He supported the disturbance. He divided the party.

In response to questions on the root causes of improper party tendencies, Comrade Yuan Mu mentioned many reasons, one of which was "because we did not resolutely fight against bourgeois liberalism." He used the word, "we." The article "To the Two Yuan Mus," however, said "failure to resolutely fight against bourgeois liberalism" and deliberately dropped the subject of the sentence. It pretended that the subject "we" was not even there. This is indeed strange. Upset, the article went on to ask, "who did not resolutely fight against bourgeois liberalism?" It even surmised that Comrade Yuan Mu was "obviously targeting Comrade Hu Yaobang." On one occasion when Comrade Yuan Mu talked about the lack of resolution in fighting against bourgeois liberalism, he qualified it with the phrase "at one time." The article resented the phrase "at one time" very much, because this restrictive attribute "scattered the spearheads"; it might even implicate Zhao Ziyang. The sense of fear permeates "To the Two Yuan Mus," and one cannot help but laugh.

More interesting is that "To the Two Yuan Mus" also found fault with the television news for showing some leaders playing golf, because "it has no political significance and is not newsworthy."

That is strange. On 29 April, Comrade Yuan Mu talked with the students, and on 30 April, the content of that conversation was published. The report clearly said, "A student from the Beijing Institute of Architectural Engineering asked: The central authorities has asked us to tighten our belts for a few years. The leading comrades too should share the comforts and hardships of the masses. But some leaders are taking their wives along for a game of golf every week."

It is obvious that showing the golf players on TV was to drive home the point that not all leaders share the comforts and hardships of the masses, that they enjoy privileged status. Not every one of the 1.1 billion people knew about it, so who says it "has no political significance and is not newsworthy"? When that picture appeared on the screen, tens of thousands in the audience were overjoyed, but "To the Two Yuan Mus" thinks it has "no significance" and is "not newsworthy." Its concept of significance and sense of value must be completely different from the people's.

These articles, though, have the greatest esteem for Comrade Zhao Ziyang's 4 May speech. They praised it for not depicting the student demonstrations as "disturbances." They called it "wise," and said it "made a clear distinction between right and wrong." Worse yet, the article "Calm Thoughts in the Aftermath" said, "most people believe that if Zhao Ziyang's astute and rational speech had been delivered a few days earlier, the students probably would not have had to take to the streets, make the long arduous journey, endure the torments of hunger and thirst, and worry about the rise and fall of the nation."

If Zhao Ziyang's speech had been delivered a few days earlier, the students would not have had to "worry about the rise and fall of the nation": Does this mean if Zhao Ziyang speaks, the nation will rise and not fall, and the students can breathe again and go back to their studies, and if he does not speak, the nation is at risk of crumbling, and the students must endure the torments of hunger and thirst and worry for the rest of their lives? Zhao Ziyang's words can raise the nation! What would the people do without him! This is just like what the organizers of the counterrevolutionary rebellion said, "if the party loses Ziyang, the nation loses all hope." What

is the difference? What is the truth? The truth is, after Zhao Ziyang's 4 May speech, the disturbance escalated. This is indeed regrettable.

During the course of the disturbance and the counter-revolutionary disturbance, Ge Yang [2047 2254], editor in chief of XIN GUANCHANG, attended and presided over several forums, both at home and abroad. He made many speeches expressing his opposition to the four basic principles and his support of bourgeois liberalism; some of his opinions were extremely reactionary. No doubt, Ge Yang's ideologies were very much responsible for XIN GUANCHANG's throwing those rocks.

A journal, like a person, walks its own path and writes its own history. The readers and the public can only, and must, judge its merits and failures, rights and wrongs, and give it the historic conclusion and historic judgment it deserves based on its history.

Cholera Discovered in Zhuhai City, Guangdong

HK1509151489 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1034 GMT 11 Sep 89

[Report: "Cholera Cases Have Been Discovered in Some Parts of Doumen County, Zhuhai City"—ZHONGGUO TONGXUN SHE headline]

[Text] Over the last few days cholera cases have been discovered in Sanzaowan and Wushan Townships of Doumen County, Zhuhai City.

Cholera broke out in these two townships on 3 September, and 10 cholera patients were found in a week. These patients have been sent to local hospitals for medical treatment. These two township governments and health departments are taking preventive measures to stop the spread of cholera as soon as possible.

An investigation reveals that the current cholera outbreak has been closely related with the patients' maritime activities and their unhygienic habits in life.

DPP Political Families To 'Dominate' Coming Election

40050594a Taipei TZULI WANPAO in Chinese
27 Jun 89 p 2

[Article by TZULI WANPAO reporters Li Wen-pang 2621 2429 6721 and Wu Chung-hsin 0124 1813 0207: "Many 'Longstanding Political Families' Are Entering the Yearend Election; by Happenstance, the 'Clan Clique' Will Dominate Local Districts"]

[Text] The saturation of the yearend election with many "longstanding political families" is characteristic. Because of its particular background, the DPP [Democratic Progressive Party] possesses limited human resources and, as a result, the circumstances that lend themselves to this clan strategy are common. The ubiquity of longstanding political families no doubt makes it difficult to escape a self-seeking feudal consciousness, but it also illustrates the difficulty involved in cultivating political talent.

Within the DPP clan clique, husband/wife teams are most common. The most famous of these teams, of course, are the team of Chang Chun-hung [1728 0193 1347] and Hsu Jung-shu [6079 2837 3219], and the team of Yao Chia-wen [1202 0857 2429] and Chou Ch'ing-yu [0719 3237 3768], who head the leading families within the two major factions. In this year's election these two factions cleverly plan to lay siege to the seats of government in the city of Taichung and in Changhua County, and in both cases it is the wife who is taking the lead. Other well-known, illustrious husband/wife teams include Ch'en Shui-pian [7115 3055 2078] and Wu Shu-chen [0702 3219 3791], Chuan Wen-cheng [0278 2429 2398] and Chao Hsiu-wa [6392 4836 1216], and Shih Hsing-chung [2457 1840 1813] (no party affiliation) and Chuang Chi-mei [8369 1213 5019].

Likewise, all-embracing patriarchal colonies, such as party Chairman Huang Hsin-chia's [7806 0207 0116] clan circle, are also a major characteristic of the DPP. Legislative Committee member K'ang Ning-hsiang's [1660 1337 4382] K'ang family organization, Kaohsiung County's Yu family team, and Hsin-chu's Shih family team each occupy strongholds and have consolidated some state power for the DPP.

That the DPP's longstanding political families are so widespread is thanks chiefly to the Kuomintang. In the beginning, when the democratic movement was just getting started on Taiwan, the Kuomintang cleverly used the "event" to link many non-Kuomintang heroes to prison. But it also led many "long-suffering family members" to throw themselves one after another into the pressure cooker of political life. This background of inherited fortuitous circumstances plus the amplification of an inborn lust for power among these individuals then produced today's pattern of ubiquitous longstanding political families.

Most of the Kuomintang's longstanding political families creep along clinging to the bureaucratic system, but there are also some who participate in elections at the grassroots level. This year, most notably, the presidents of the Administrative Yuan, Legislative Yuan, Judicial Yuan, and Control Yuan all have clansmen running for county magistrate or for the Legislative Committee. Li Ch'ing-hua [2621 1987 5478], son of Administrative Yuan President Li Huan [2621 3562], and Liu Kuo-chao [0491 0948 2507], son of Legislative Yuan President Liu K'uo-ts'ai [0491 7059 2088], are both running for the Legislative Committee; Lin Yuan-lang [2651 3293 2597], younger brother of Judicial Yuan President Lin Yang-kang [2651 3152 3263], is running for magistrate in Nant'ou County; and Huang Chao-shun [7806 2507 7311], daughter of Control Yuan President Huang Tsun-ch'iu [7806 1415 4428], is running for assemblyman in the city of Kaohsiung. Some of the other well-known examples include the husband/wife team of Cheng Feng-shih [6774 6646 2514] and Wang Ling-hui [3769 3781 1920], who both serve in the Provincial Assembly. Comparatively speaking, though, far more DPP than Kuomintang political families participate in the electoral process.

Legitimacy of Party-Run Enterprises Questioned

40050594b Taipei TZULI WANPAO in Chinese
28 Jun 89 p 5

[Article by Lin Chia-ch'eng 2651 0857 6134, professor of sociology at Tung-yang University, under the rubric "An Independent Assessment": "Party-Run Enterprises and Party Funding"—Professor Lin has a PhD in political science from National Taiwan University]

[Excerpts] [Passage omitted] The DPP Membership Committee has charged that Kuomintang [KMT] party-run enterprises have amassed considerable net earnings by milking the market and that they are raising 200 billion yuan to be used as campaign funds. The KMT Membership Committee has denied this assertion and, as a result, in the next few days the Legislative Yuan will invite the leading government officials concerned to attend and present a report on this issue. The KMT's party-run enterprises have always been an object of scrutiny. Although the KMT claims that political parties have the right to engage in business, a survey of the world's major democracies shows that it is very rare for political parties—particularly longstanding ruling parties—to control such mammoth enterprises or to take advantage of special privileges, monopolies, or other means to reap high profits from their businesses.

[Passage omitted] There are many KMT party-run enterprises. In addition to cultural facilities such as the Chinese Television Corporation, the Chinese Broadcasting Corporation, the newspapers CHUNGYANG JIHPAO and CHUNGHUA JIHPAO, the Central Press, and the National Liberation Society System's Young Lion Corporation and Youth Music Education Center, there are also ten party-run enterprises chaired by the

government's Finance Commission: Central Investment Corporation, Brilliant Investment Corporation, Chi-Lu Enterprises, Taiwan Enrichment Enterprises, Central Product Insurance, Rejuvenation Electrical Engineering, Rejuvenation Ticketing, Chingte Pharmaceuticals, Burgeoning Electronics, and Taiwan Construction. As for companies that have received investment transfers from party-run enterprises, these include the following: Taiwan Negotiable Securities, China Development, Central Allied Ticketing, Taiwan Benzene, Eastern Allied, Forever Fine Chemistry, Chungting Engineering, Chien-t'ai, Kuangnan, China Trade and Development, Abundance, Whole Universe Investment, Chungchia Development, China-America Harmony Chemicals, Yangming Marine Specialties, Kuohua Marine, Life Preservation Pharmaceuticals, Kunta Fu-i Electronics, Allied Asian Electrical Machinery, Taiwan Ship Inventory, Kuoshan Electronics, Tranquillity Rapid Steel Plant, China Restoration Negotiable Securities, Allied Electric, Ten Thousand Nations Electronics, and Taiwan Petrochemical.

[Passage omitted] Although the law does not explicitly prohibit party-run enterprises, in states that operate smoothly under the party system political parties avoid suspicion by operating very few large enterprises. Moreover, when the ruling party controls major enterprises, it easily gives rise to unnecessary associations that are best avoided. Taking the KMT's party-run enterprises for example, some, such as China Restoration Negotiable Securities, seek monopoly or special manufacturing laws

and reap huge profits. In addition, when the government makes substantial expenditures on public works, and there are both many state-run and party-run enterprises, it is easy for party-run businesses to have priority on the right to supply production materials to state-run businesses or to distribute their products. This earns a tremendous return on a small investment. Within government expenditures on public works, such things as engineering contracts, procurement for administrative facilities, and business commissions all make excess profits. In a situation in which the party and the state are not kept separate, party-run enterprises find it ridiculously easy to acquire exclusive privileges.

[Passage omitted] Why do democratic states have so few party-run enterprises? Essentially, the reason lies in the intrinsic character of political economy. When the ruling party has party-run enterprises it too easily results in a situation of unfair advantage and creates a government of gilded privilege. In particular, if there are no strong sanctions supervised by popular opinion and by the party not in power, and if there are no means of impartial arbitration, these drawbacks will become further aggravated. We can only objectively determine whether the KMT's party-run enterprises fit this bill if we meticulously set forth and examine the overall operation of party-run enterprises, their dealings with government departments and state-run enterprises, their assets and liabilities, and their profit and loss situation to determine if these factors are monopolistic, oligarchic, or based on special privilege. [passage omitted]